

BOARD OF THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA

RESOLUTION

No 335 N

06/12/2011

**ON APPROVAL OF REGULATION 10/04 “PROCEDURE ON CALCULATION OF THE VALUE OF
NET ASSETS OF INVESTMENT FUNDS”**

This Regulation incorporates amendments introduced in accordance
with Resolutions of the Board of the Central Bank No 176-N dated 15.07.14,
No 142-N, dated 16.06.15,
No 146-N dated 07.07.17, No 142-N dated 28.08.20

With the view to ensuring unified procedure for valuation of the assets of investment and pension Funds, based on Part 2 of Article 16 of the Law of the Republic of Armenia “On Investment Funds”, and pursuant to Clause “e” of Article 20 of the Law of the Republic of Armenia on the Central Bank of the Republic of Armenia, and Article 16 of the Law of the Republic of Armenia “On Legal Acts”, the Board of the Central Bank of the Republic of Armenia hereby decides:

- 1) To approve Regulation 10/04 “The Procedure of Calculation of Net Asset Value of Investment Funds” in accordance with the attached Appendix.
- 2) This Resolution shall enter into force on the tenth day after promulgation.

Artur Javadyan
Chairman of the Central Bank
Republic of Armenia

Approved by Republic of Armenia Central Bank Board

Resolution No 335-N
dated December 6, 2011

REGULATION 10/04

PROCEDURE ON CALCULATION OF THE VALUE OF NET ASSETS OF INVESTMENT FUNDS

SECTION 1. GENRAL PROVISIONS

CHAPTER 1. OBJECT OF REGULATION OF LAW

1. This Regulation shall regulate procedure on calculation of the value of net assets of investment Funds (hereinafter, referred to as “Fund”), including pension Funds.

CHAPTER 2. GENERAL PROVISIONS

2. The net asset value of a Fund shall be determined in accordance with the provisions of the Law of the Republic of Armenia “On Investment Funds”, this Regulation and Fund rules (Articles of Association).

3. In order to determine the net asset value of a Fund, the total market value of the assets of the Fund shall be determined from which the value of the liabilities assumed by the Fund (by the management company on behalf of a contractual Fund) in accordance with the Law of the Republic of Armenia “On Investment Funds” and Fund rules (Articles of Association) shall be deducted.

4. The value of the Fund's assets and liabilities shall be determined in accordance with the International Financial Reporting Standards or principles, which are acceptable for the Central Bank and are applied in the international practice for such Funds, unless otherwise provided in this Regulation.

(paragraph 4 amended 07.07.17, No 146-N)

5. Income and expenses of a Fund shall be recorded on accrual basis, with the exception of commissions and other fees associated with the transfer and settlement of cash and securities accrued

to the Fund's foreign custodian, which shall be included in the calculation of the value of the net assets of the Fund on the date of receipt of the relevant substantiating settlement document from the custodian.

(paragraph 5 amended 28.08.20, No 142-N)

6. The Fund rules (Articles of Association) for calculation of the net asset value of a Fund shall set out, inter alia, the following:

1) the list and priority or the procedure for determining the priority of regulated markets, the prices (quotations) determined whereof shall serve as a basis for determination of the market value of securities (in case of a security traded on more than one regulated market);

2) a procedure and criteria for selection of a real estate valuator if according to the Fund rules (Articles of Association) real estate may be acquired at the expense of the Fund assets;

3) the method for determination of the market (fair) value of securities specified in Chapter 5 of this Regulation, as well as non-standardized derivative instruments (if more than one method is used, then the priority thereof as well);

4) the accounting policy of the Fund.

7) The provisions on Fund rules (Articles of Associations), set in sub-paragraphs 1 and 3 of paragraph 6 of this Regulation shall be reflected also in the notes on accounting policy of calculation of profit of given Fund.

8. If a Fund has sub-Funds, the net asset value calculation shall be performed by each sub-Fund.

8.1 If the Fund has units of different classes, the calculation value of the unit of each class shall be performed separately based on the share of the Fund's net asset value belonging to that class.

Calculation of the value of net assets belonging to a given class shall be made on the basis of the assets and liabilities of the Fund belonging to the given class.

(paragraph 8.1 supplemented 28.08.20, No 142-N)

9. The net asset value and a unit (share) of a Fund shall be rounded up to at least two decimal paragraphs, except for obligatory pension Funds. The rules of rounding of net asset value of obligatory pension Fund and net asset value per unit thereof are set out in Republic of Armenia Central Bank Board Resolution No 156-N of 24, June, 2011 «On Approval of Regulation 10/09 “Requirements to Procedure for Issue of Units of Obligatory Pension Funds, Rules for Acquisition of Participation and Redemption of Units in Obligatory Pension Fund by the Pension Management Company”.

(paragraph 9 amended 15.07.14, 176N)

9.1 The date of the Fund's assets valuation is the day when the value of the Fund's net assets is calculated. The Fund rules shall define the moment (hereinafter, cutoff point) as of which the net asset value of the given valuation day shall be calculated.

(paragraph 9.1 added 07.07.17, No 146N)

10. Foreign currencies and assets denominated in a foreign currency shall be reflected in Armenian drams as of the cutoff point of the day when the value of the Fund's net assets is calculated (hereinafter: valuation day), at the price of the last transaction of trade session of the relevant currency in foreign exchange market, arranged by foreign exchange trading entity in accordance with the Republic of Armenia Law “On Currency Regulation and Currency Control”, and in case of its absence, at the respective reference exchange rate for that currency, announced by the Central Bank of the Republic of Armenia for the valuation day .

(paragraph 10 amended 07.07.17, No 146N)

11. The concepts used in this Regulation have the meanings as defined in the Law of the Republic of Armenia “On Investment Funds”, in the Law of the Republic of Armenia “On Funded Pensions” and in the Law of the Republic of Armenia “On Securities Market.”

12. The provisions set out for securities in this Regulation shall cover also securities issued by the und and derivative instruments, unless otherwise stated in this Regulation.

SECTION 2. VALUATION OF ASSETS OF FUND

CHAPTER 3. VALUATION OF CASH AND BANK DEPOSITS

13. The value of cash and bank deposits in bank accounts and cash accounting accounts (hereinafter in this Chapter referred to as account), shall be calculated as the sum of the outstanding balances and the accrued and unpaid interests in the accounts as of the cutoff point defined by the Fund's rules.

(paragraph 13 amended 07.07.17, No 146N)

14. Interest on deposits that has been calculated on accrual basis, but has not been received yet, shall be accounted as accrued income as of the cutoff point defined by the Fund's rules.

(paragraph 14 amended 07.07.17, No 146N)

14.1 Cash account referred to in point 13 of this Regulation shall be the account opened at the Central Depository for the purpose of recording Funds as stipulated by Regulation 5/09 "Types of Additional

Activities by the Central Depository, Procedure and Conditions of their Implementation" approved by Decision 242-N of September 18, 2012 of the Board of the Central Bank of the Republic of Armenia.

(paragraph 14.1 added 07.07.17, No 146N)

CHAPTER 4. VALUATION OF SECURITIES TRADED ON A REGULATED MARKET

15. The value of a security traded on a regulated market shall be calculated on the basis of the closing price on the valuation day for the relevant securities of the valuation day, unless otherwise is stated in this Regulation.

(paragraph 15 amended 07.07.17, No 146N)

16. If the closing price specified in paragraph 15 of this Regulation is not available (or does not exist) as of the cutoff point of the valuation day, the value of a security (except for debt securities) traded on a regulated market shall be determined on the basis of the latest known closing price on the day preceding the valuation day, except for the cases specified in paragraph 20 of this Regulation.

(paragraph 16 amended 07.07.17, No 146N)

17. If the closing price specified in paragraph 15, excluding cases specified in paragraph 17.2 of this Regulation for a debt, of securities traded in a regulated market is not available (or does not exist), the value of the security shall be determined on the basis of the arithmetic average of the highest bid price and the lowest ask price at the close of the respective market on the valuation day.

(paragraph 17 added 15.07.14, 176N, amended 07.07.17, No 146N)

~~17.1 Public securities included in obligatory Funded pension Fund nominated in Republic of Armenia drams shall be valued based on the yield curve of Republic of Armenia public securities.~~

(paragraph 17.1 supplemented 15.07.14, 176N, repealed 07.07.17, No 146N)

17.2 Foreign debt securities, as well as foreign currency denominated securities issued on behalf of the Republic of Armenia may be valued at the price received from the accepted international financial market sources provided rules of the Fund or internal legal acts of manager establish such sources.

(paragraph 17.2 supplemented 16.06.15, 142N, amended 07.07.17, No 146N).

18. If the prices specified in paragraphs 15 and 17 of this Regulation for a debt security are not available (or do not exist), the security shall be valued at the latest known respective price determined in accordance with the order set out in paragraphs 15 and 17 of this Regulation, except for the cases specified in paragraph 20 of this Regulation. If there is a new price specified in paragraphs 15-18 of this Regulation for a non-working day after the date of foreign securities

valuation, the new price derived pursuant to these paragraphs may be taken as a basis for the valuation of that security.

19. In the cases provided for in paragraphs 15-18 of this Regulation, if there has been any significant event, since the date of the last transaction price or of the last known price, with respect to the security or its issuer that may materially affect the price of the security, the management company may respectively adjust the price of the security, determined in accordance with the abovementioned paragraphs, when establishing the market value of the security. If there is a new price specified in paragraphs 15-18 of this Regulation for a non-working day after the date of foreign securities valuation, the new price derived pursuant to these paragraphs may be taken as a basis for the valuation of that security.

(paragraph 19 amended and supplemented 07.07.17, No 146N)

20. If the prices specified in paragraphs 15 to 18 of this Regulation are not available (or do not exist) for none of last 30 business days as of the valuation day, the value of the security traded on a regulated market shall be determined in accordance with Chapter 5 of this Regulation.

21. If a security is traded on several regulated markets, the price shall be taken as a basis, which is determined in the regulated market specified in the Fund rules (Articles of Association) or chosen in accordance with the Fund rules (Articles of Association), excluding obligatory pension Funds . Moreover, in cases stipulated in this paragraph, upon valuation of securities the price of the market, where the trade of that security is not possible or carries out expenses that make the trade of securities in that market become economically unsound, in comparison with other markets, cannot be used. The Fund rules (Articles of Association) shall contain provision on prohibition specified in this paragraph.

(paragraph 21 amended 07.07.17, No 146N)

CHAPTER 5. VALUATION OF SECURITIES NOT PERMITTED FOR TRADE IN REGULATED MARKET

22. The value of a security not traded in regulated market shall be determined on the basis of the probable sale price, which has been determined reasonably and in good faith, using appropriate valuation models generally recognized in the financial market, ~~and if necessary taking into account the discount for reduced liquidity.~~

(paragraph 22 amended 07.07.17, No 146N)

CHAPTER 6. VALUATION OF UNITS (SHARES) OF OTHER FUNDS

23. The value of the units (shares) of other Funds shall be determined on the basis of the latest published net asset value as of the valuation day, unless otherwise is stated in this Chapter. If there is a new reference price established for a non-working day after the date of foreign Funds units' (shares') valuation, the new reference price may be taken as a basis for foreign Funds units' (shares') valuation.

(paragraph 23 amended 07.07.17, No 146N)

24. If the units (securities) of closed-end or interval Fund are admitted to trading in the regulated market, their value shall be calculated on the basis of following values, depending which is the latest:

1. last published estimated value of the unit (share) of given Fund;
2. last known closing price of the unit (share) of given Fund as of the day of valuation.

25. The value of the units (shares) of non-public Funds shall be determined in accordance with Chapter 5 of this Regulation.

CHAPTER 7. VALUATION OF DERIVATIVE INSTRUMENTS

26. The value of a standardized derivative instrument shall be determined in accordance with Chapter 4 of this Regulation.

27. The value of a non-standardized derivative instrument shall be determined in accordance with Chapter 5 of this Regulation.

CHAPTER 8. VALUATION OF REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

28. The value of repurchase and reverse repurchase transactions shall be determined in accordance with the International Financial Reporting Standards.

CHAPTER 9. VALUATION OF REAL ESTATE

29. Following acquisition of real estate, the value thereof shall be determined on the basis of the acquisition cost.

30. For the period following its acquisition, the value of real estate shall be determined based on the last valuation by an independent real estate valuator that complies with the requirements of paragraphs 31 and 32 of this Regulation. The value of real estate shall be adjusted at least once a year not earlier than in 30 working days prior to the end of the year. The value of real estate shall be adjusted also before selling the real estate, unless the latest valuation of the real estate has been carried out within 30 working days preceding the proposed selling date.

31. The valuation of real estate shall be carried out by a certified real estate valuator.

32. A real estate valuator cannot be a person:

- 1) related with the Fund manager or custodian;
- 2) senior officer or employee of Fund manager or the related entity
- 3) participant of the respective Fund.

CHAPTER 10. VALUATION OF OVERDUE SECURITIES AND RECEIVABLES

33. If the issuer fails to fulfill its obligations in terms of borrowed securities (including their full or partial redemption, coupon payment), the following percentages shall be deducted from the value of amounts receivable under such debt securities:

- 1) within 90 days following the scheduled date of payment, 10% accruing daily in equal amounts,
- 2) within 91 to 180 days following the scheduled date of payment, 10% accruing daily in equal amounts;
- 3) within 181 to 270 days following the scheduled date of payment, 30% accruing daily in equal amounts;
- 4) within 271 to 360 days following the scheduled date of payment, 50% accruing daily in equal amounts.

34. The valuation of overdue receivables shall be performed in accordance with paragraph 33 of this Regulation.

CHAPTER 11. VALUATION OF SECURITIES HELD TO MATURITY

35. Where the Fund manager plans to hold to maturity securities acquired at the expense of the closed-end Fund, such securities shall be evaluated in accordance with the International Financial Reporting Standards, in manner prescribed for financial assets held to maturity.

CHAPTER 11.1. PECULIARITIES OF VALUATION OF OBLIGATORY PENSION FUNDS ASSETS

35.1. Government securities denominated in Republic of Armenia drams that are included in obligatory pension Fund assets shall be valued based on the yield curve of the Republic of Armenia government bonds (Treasury Bills) disclosed by the Republic of Armenia Central Bank as of the valuation day cutoff point.

35.2. Securities admitted-to-trading in foreign regulated markets included in obligatory Funded pension Fund assets shall be valued at the price for such securities received for the given security from information sources adopted at the international financial market as of the valuation day cutoff point, provided the sources of information are defined by the Fund's rules or internal legal acts of the manager. Internal legal acts of the manager defining information sources referred to in this paragraph (including any changes thereto) shall be delivered to the Central Bank, as well as to the Custodian of the respective Fund.

35.3. Where prices established under paragraphs 35.1 and 35.2 of this regulation are not available (are missing) for any of the last 30 business days as of the valuation date, the value of securities admitted-to-trading in foreign regulated markets shall be determined in the manner prescribed in Chapter 4 of this Regulation.

35.4. The value of closed or interim Fund units (shares) admitted-to-trading in foreign regulated markets included in obligatory Funded pension Fund assets shall be valued at the latest disclosed price of such Fund units (shares) as of the valuation day cutoff point, whereas if the disclosed price is not available, at the latest available closing price of such Fund units (shares) as of the valuation day cutoff point. If new reference price on closed or interim Fund units (shares) has been disclosed for a non-working day following the evaluation date, the new disclosed reference value can be taken as a basis for valuation of such Fund units (shares).

(Chapter 11.1 added 07.07.17, No 146N)

CHAPTER 12. VALUATION OF OTHER ASSETS

36. During valuation, the market value of other assets (receivable amounts) not specified in Chapters 3 to 12 of this Regulation shall be determined reasonably and in a good faith on the basis of their possible sale price (probable receivable amounts).

SECTION 3. DETERMINATION OF THE NET ASSET VALUE OF A FUND

CHAPTER 13. TOTAL MARKET VALUE OF THE ASSETS OF A FUND

37. The total market value of the assets of a Fund shall be equal to the sum of up the values of the assets calculated in accordance with Chapters 3 to 12 of this Regulation.

CHAPTER 14. CALCULATION OF VALUE OF NET ASSETS OF AN INVESTMENT FUND

38. In order to calculate the value of net assets of an investment Fund (except for a pension Fund), the total market value of the Fund's assets calculated in accordance with paragraph 37 of this Regulation shall be reduced by the value of the liabilities assumed by the Fund (by the management company on behalf of a contractual Fund) in accordance with the Law of the Republic of Armenia "On Investment

Funds” and Fund rules (Articles of Association) which shall be calculated estimated on accrual basis unless specified otherwise in paragraph 5 of this regulation, and can include the following:

- 1) manager’s fee;
- 2) custodian’s fee;
- 3) dividends or other similar amounts subject to payment to unit holders (shareholders);
- 4) expenses directly related to transactions with the Fund’s assets, including service charges, fees, commissions, money transfer charges;
- 5) amounts subject to payment to Fund participants for repurchase (redemption) of securities issued by the Fund;
- 6) amounts of loans (credits) received on behalf of the Fund;
- 7) payable interest related to loans (credits) received on behalf of the Fund (including interest on repurchase and reverse repurchase transactions);
- 8) the accrued amount of profit tax (expenses related to profit tax) calculated according to Chapter 16 of this Regulation, as well as other obligatory charges subject to payment from the assets of the Fund.
- 9) independent valuator’s fees if according to law or other normative legal acts assets of the Fund must be assessed by an independent valuator.
- 10) other liabilities, fees and expenses, directly related to the management and custody of the Fund, as stipulated in the law and the Fund rules (Articles of Association) that are not set out in subparagraphs 1 to 9 of this paragraph.

(paragraph 38 supplemented 28.08.20, No 142-N)

CHAPTER 15. CALCULATION OF THE VALUE OF NET ASSETS OF A PENSION FUND

39. In order to calculate the value of net assets of a pension Fund, the total market value of the Fund’s assets calculated in accordance with paragraph 37 of this Regulation shall be reduced by the value of the liabilities assumed by the Fund (by the management company on behalf of a contractual Fund) in accordance with the Law of the Republic of Armenia “On Investment Funds” and Fund rules (articles of association), which are recorded on an accrual basis and can include the following:

- 1) manager’s fee;
- 2) custodian’s fee;

- 3) amounts subject to payment to other pension Funds;
- 4) amounts subject to payment to Fund participants for repurchase (redemption) of securities issued by the Fund;
- 5) expenses directly related to transactions with the Fund's assets, including service charges, fees, commissions, money transfer charges;
- 6) loans (credits) received on behalf of the Fund;
- 7) payable interest related to loans (credits) received on behalf of the Fund (including interest on repurchase and reverse repurchase transactions);
- 8) obligatory charges subject to payment from the assets of the Fund;
- 9) other liabilities, fees and expenses, directly related to the management and custody of the Fund, as stipulated in the law and the Fund rules (Articles of Association) that are not set out in subparagraphs 1 to 8 of this paragraph.

CHAPTER 16. ACCRUAL OF PROFIT TAX OF THE FUND

40. During a year, Fund's profit tax shall be accrued in the same frequency as the value of Fund's net asset is calculated.

41. The amount of the profit tax that shall be accrued is calculated by the following formula:

$$PTAi = NAVi \times TR / 100,$$

where:

PTAi - the amount of the profit tax that shall be accrued on the "i"-th day'

TR - profit tax rate for investment Funds set out in the Law of the Republic of Armenia "On Profit Tax" (in per cent);

NAVi –net asset value of the Fund as of the "i"-th day, calculated for defining the taxable profit, which was calculated in accordance with Chapter 2 of the Resolution of the Board of the Republic of Armenia Central Bank No 336-N, dated 06/12/2011" On Approval of Regulation No10/14 "On Procedure on Calculation of Net Asset Value for Determining Taxable Profit".

CHAPTER 17

CRITERIA ON SIGNIFICANCE OF ERRORS IN CALCULATION OF THE VALUE OF FUND'S NET ASSETS, PROCEDURE ON CORRECTION OF ERRORS DEEEMED SIGNIFICAN AND REMEDY OF FUND PARTICIANTS

42. In case of identifying an error in calculation of the value of Funds' net assets, the manager shall be obligated to correct it, excluding the existence of an error in the subsequent calculation of the Fund's net asset value. In the event of a material error, appropriate explanations of the correction shall be provided in addition to the estimated value of the unit.

(paragraph 42 revised 28.08.20, No 142-N)

43. The manager shall be obliged to notify the Central Bank and the custodian of the Fund immediately about the significant error discovered in calculating the Fund's net assets value. If, in accordance with paragraph 44 of this Regulation, the manager has to compensate the participants and/or the Fund losses inflicted due to the significant error, the notification shall at least include the following information (presented separately by each Fund, if the error concerns more than one Fund):

- 1) principles to which the manager will be guided in determining the amount of compensation for damages;
- 2) the terms of compensation for damage caused;
- 3) the list of persons who suffered losses, if any, with the exception of an obligatory pension Fund, in which case the information provided by the custodian on the number of persons who suffered losses shall be provided;
- 4) information that will be disclosed to the affected persons.

44. The manager shall be obliged to compensate the damages caused to the participants and/or Funds due to the significant error in the calculation of the Fund's net assets value, which include:

- 1) the damage caused to the Fund, which is equal to the amount of Fund units (shares) redemption paid in excess of the participants or the amount unredeemed by Fund participants against the acquisition of Fund units (shares);
- 2) losses suffered by the respective participants, which is equal to the amount unredeemed by Fund participants against the acquisition of Fund units (shares) or the amount of Fund units (shares) redemption paid in excess of the participants;
- 3) other damages to the Fund or its participants, which are not included in clauses 1 and 2 of this paragraph.

45. Further to the requirements defined in paragraphs 42 and 43 of this Regulation, in case of identifying a substantial error in calculating the net asset value of the Fund or receiving such information, the manager shall determine within a reasonable time the size of the damage caused to each participant (Fund), send notice of the damage, its size, as well as terms and conditions of remedy against the damage to the affected entities, and compensate for the damage caused. In the case of an obligatory pension Fund, the manager receives only summary (non-personal) information from the registrar on the affected entities, whereas estimation of the amount of damage incurred to each participant, notice to those who have suffered losses, as well as their compensation shall be exercised by the registrar of the participants at the expense of the manager.

46. The registrar of participants shall take all reasonable steps in order to ensure that information defined in paragraph 45 of this Regulation has been provided to the manager, as well as compensation provided for in the same paragraph has been paid.

47. In the sense of this Chapter, error shall be deemed essential, if:

- 1) as a result of it, the change in the value of the Fund's net assets exceeds:
 - a. 0.25 percent of the net asset value of the Fund - for monetary market Funds;
 - b. 0.3 percent of the net asset value of the Fund - for pension Funds;
 - c. 0.5 percent of the net asset value of the Fund - if according to the Fund's rules (charter), its assets are mainly invested in debt securities and other similar instruments;
 - d. 1 percent of the net asset value of the Fund – for other types of Funds;
- 2) while it does not exceed the value specified in clause 1 of this paragraph, but, in the reasonable opinion of the Central Bank, is essential, taking into account:
 - a. its regular nature; or
 - b. such error is the result of the lack of due internal control (or incompliance with its rules) by the manager.

48. In the event defined in paragraph 47, clause 2 of this Regulation, notice of damage and compensation shall be provided only to those participants, the loss on each of which exceeds the extent prescribed by paragraph 47, clause 2 of this Regulation.

49. Remedy of damages shall be made for the whole period of substantial error.

50. In case of identifying a substantial error in calculating the net asset value of the Fund or receiving such information, the manager shall as necessary revisit its internal with the view to excluding subsequent repetition of errors in calculation of net assets value.

51. In assessing the significance of error in calculation of the net asset value of a Fund, it is necessary to consider simultaneously or subsequent errors (including non-material) consolidated effects on the Fund's net asset value.

52. Expenses on elimination of significant errors, as well as costs associated with their remedy shall be made at the manager's expense.

(Chapter 17 added 07.07.17, No 146N)