

**THE CENTRAL BANK OF THE REPUBLIC
OF ARMENIA BOARD RESOLUTION No. 296**

Adopted on November 9, 2010

**ON APPROVAL OF REGULATION 11/01 ON “PROHIBITION OF PRICE ABUSE IN
FOREIGN EXCHANGE TRADING AND FOREIGN EXCHANGE TRADING AUCTIONS,
INCENTIVES FOR PRICE ABUSE AND THE ORDER OF NOTIFYING THE CENTRAL
BANK OF THE REPUBLIC OF ARMENIA OF PRICE ABUSE ”**

By virtue of the Law of the Republic of Armenia on “The Central Bank of the Republic of Armenia” article 20 (“e”), the Law of the Republic of Armenia on “Legal Acts” Article 16, the Law of the Republic of Armenia on “Currency Regulation and Currency Control”, article 7.1 (4), the Law of the Republic of Armenia on “Banks and Banking”, article 41, the Law of the Republic of Armenia on “Credit organizations” article 8 (3) and the Law of the Republic of Armenia on “Securities Market”, article 27 (4) the Board of the Central Bank of the Republic of Armenia decides:

1. To approve Regulation 11/01 on “Prohibition of price abuse in foreign exchange trading and foreign exchange trading auctions, incentives for price abuse and the order of notifying the Central Bank of the Republic of Armenia of price abuse ” according to Appendix (attached).
2. This Resolution shall enter into force on the tenth day upon its official publication.

Chairman of the Central Bank of the Republic of Armenia
A. Javadyan

November 12, 2010
Yerevan

**ON APPROVAL OF REGULATION 11/01 ON “PROHIBITION OF PRICE ABUSE IN
FOREIGN EXCHANGE TRADING AND FOREIGN EXCHANGE TRADING AUCTIONS,
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REGULATION 11/01

CHAPTER 1

SUBJECT OF REGULATION

1. This regulation shall define cases of and incentives for price abuse in foreign exchange trading and foreign exchange trading auctions in the Republic of Armenia, as well as the order of notifying the Central Bank of the Republic of Armenia (hereinafter referred to as Central Bank) of the price abuse.
2. The scope of this Regulation shall include entities engaged in foreign exchange broker-dealer trading, foreign exchange trading, foreign exchange trading auctions, as well as banks, investment firms and credit organizations of the Republic of Armenia.

CHAPTER 2

DEFINITIONS USED IN THE REGULATION

3. For the purpose of this Regulation the following definitions shall mean:
 - **Stock Exchange** means an entity with a license for organizing foreign exchange auctions,
 - **Suspicious transaction** means a transaction, which gives rise to suspicions of price abuse in foreign exchange trading or foreign exchange trading auctions,
 - **Auction participants** means entities who have acquired a right to participate in foreign exchange auctions under the rules of the Stock Exchange,
 - **Order** means the client's assignment or the auction participant's order, instruction, bid or offer to perform foreign currency transactions,
 - **Trading system** means a combination of technical, software and other means used by the Stock Exchange for organizing and holding a foreign exchange

online trading or foreign exchange online trading auction, as well as for data processing and maintenance.

- **Best exchange rate** means the highest exchange rate in purchase orders or the lowest exchange rate in sale orders introduced to the trading system for the type of the foreign currency.
 - **Spread** means the difference between the highest exchange rate in purchase orders and the lowest exchange rate in sale orders introduced to the trading system for the type of the foreign currency.
 - **Entity engaged in foreign exchange broker-dealer trading, foreign exchange trading, and foreign exchange trading auctions** complies to the definition specified in the Law of the Republic of Armenia on “Currency Regulation and Currency Control”.
4. Other definitions used in this Regulation have the same meaning as in the Law of the Republic of Armenia on “Securities market” and the Law of the Republic of Armenia on “Currency Regulation and Currency Control”, as well as in Regulation 11 on “Licensing, regulation and control of foreign exchange trading in the Republic of Armenia”, approved by the Central Bank Board Resolution N 444 as of August 30 2005.

CHAPTER 3 PRICE ABUSE

5. Price abuse in foreign exchange trading and foreign exchange trading auctions is prohibited.
6. For the purpose of this Regulation price abuse shall mean
1. Performing or ordering transactions by an entity (at the own or the client's expense), which result or may result in creating an incorrect or a misleading picture about the foreign exchange rate, the demand for or the supply of the foreign currency, except for cases specified in Rule 7 of this Regulation.
 2. Performing or ordering transactions by an entity (at the own or the client's expense), which result in unnatural deviations of the foreign currency exchange rate or set an artificial level of the foreign currency exchange rate, except for cases specified in Rule 7 of this Regulation.
 3. Performing or ordering transactions by an entity (at the own or the client's expense) through false, improper or misleading and/or delusive procedures.
 4. The dissemination of information by an entity (at the own or the client's expense), which create an incorrect or a misleading picture about the foreign currency exchange rates, including the dissemination of distorted information regarding the foreign currency, if the entity was aware or could find out that the information was false in case of exercising due diligence.
 5. Actions of similar nature not specified in points 1-4.

7. Actions specified in Rule 6 (1, 2) are not considered a case of price abuse if the actions of the entity performing or ordering the transaction have legal purposes.
8. When assessing the legality of the entity's purposes, the Central Bank considers the absence of the following circumstances among other factors:
 1. The entity acted with the purpose of reducing the possibility for others to perform transactions, or with the purpose of limiting or changing the exchange rate of the foreign currency on which the entity has an open position.
 2. The entity performed the transaction in a specific way with the purpose of creating a misleading picture.
9. When assessing the legality of the entity's purposes, the Central Bank also considers the availability of the following circumstances among other factors:
 - 1) The transaction is directed towards fulfilling a liability to third parties under Law or other legal acts.
 - 2) The transaction was performed in a manner that took into account the necessity of the fair and efficient operation of the market.
 - 3) The entity undertook all reasonable measures to perform the transaction on best conditions for the customer (first considering the price, expenses, and then also other factors).

CHAPTER 4 INCENTIVES FOR PRICE ABUSE

10. The following are incentives for price abuse:
 - 1) Performing or ordering transactions in the foreign currency, which constitute a significant number or volume of daily transactions in the foreign currency at the Stock Exchange, especially if these transactions result in a significant change in the price of the foreign currency or the securities denominated in the foreign currency and admitted to trade in the regulated market.
 - 2) Performing or ordering transactions in the foreign currency, which change the foreign currency position of the entity performing or ordering the transactions for a short period of time and constitute a significant number or volume of daily transactions in the foreign currency at the Stock Exchange, especially if they are accompanied by a significant change in the exchange rate of the foreign currency. For the purpose of this Point a change in the foreign currency position means the submission of consecutive purchase (sale) and sale (purchase) orders for the same foreign currency by the entity.
 - 3) Performing or ordering transactions in the foreign currency, which are concentrated in a short-term period and result in short-term changes in the foreign currency exchange rate without entailing long-term changes.
 - 4) Ordering transactions in the foreign currency at the Stock Exchange, which change the best exchange rate for the foreign currency purchase (sale) and are removed from the trading system before the performance of the order.

- 5) Performing or ordering transactions in the foreign currency at the Stock Exchange, which are concentrated in the trading session, within the time frame of which closing rates or other settlement rates are settled, and which have resulted in significant changes in the foreign currency exchange rates.
 - 6) Performing or ordering transactions in the foreign currency by the entity before or after dissemination of false, misleading or distorted information or incorrect or subjective investigation by the entity or an affiliated entity.
 - 7) Performing transactions in the foreign currency, which do not result in a transfer of the foreign currency or the foreign currency is transferred between entities acting based on mutual agreement.
 - 8) Performing a transaction in the foreign currency, the purchase and sale orders for which are mostly for the same volume, at the same exchange rate and for the same period of time.
 - 9) Setting or keeping an unusually big spread by the auction participant (auction participants acting based on mutual agreement).
 - 10) The announcement of a foreign currency purchase and/or sale exchange rate, which results in a sharp and significant rise in the previously announced purchase and sale exchange rates spread.
 - 11) The announcement of an exchange rate, which is significantly higher or lower than the foreign currency purchase (sale) exchange rate set at the Stock Exchange.
 - 12) Other actions not specified but similar to those defined in points 1-11.
11. Incentives for price abuse specified in Rule 10 of this Regulation are not considered sufficient condition for qualifying the case as price abuse.

CHAPTER 5

THE ORDER OF NOTIFYING THE CENTRAL BANK OF PRICE ABUSE

12. The Stock Exchange, auction participants, as well as entities engaged in foreign exchange broker-dealer trading and foreign exchange trading shall immediately notify the Central Bank of any material suspicion about price abuse.
13. The notification specified in Rule 12 of this Regulation shall be submitted to the Central Bank in an oral, written or electronic form. In case of the oral notification the Central Bank may require the written submission of the information no later than by the end of the following day. The information shall be submitted to the Central Bank orally via phone numbers provided by the Central Bank and/or by informing the authorized division of the Central Bank.
14. The information specified in Rule 12 of this Regulation shall contain:
 1. the description of the suspicious transaction, including the type of the foreign currency, the type of the transaction and/or the assignment,
 2. the reason for suspicion,
 3. the methods of identification of the transaction parties,
 4. other information, which is material in the opinion of the entity notifying of the suspicion.

15. If all the information specified in Rule 14 of this Regulation is not accessible for the entity notifying of the suspicion, the notification of the suspicion shall at least contain the reason for suspicion.