

**REPUBLIC OF ARMENIA
CENTRAL BANK BOARD**

15/07/2014
Resolution No. 161-N

On Approving Regulation 10/30 “Quantitative and Foreign Currency Restrictions for Voluntary Pension Funds’ Investments”

With the view of ensuring efficient diversification of voluntary pension funds’ investments, based on part 1 of Article 68 of the Republic of Armenia law “On Funded pensions”, 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 part 1 of Article 16 of the Law of the Republic of Armenia “On Legal Acts”, the Republic of Armenia Central Bank Board hereby decides to:

1. Approve Regulation 10/30 “Quantitative and Foreign Currency Restrictions for Voluntary Pension Funds’ Investments”, in accordance with the attached Appendix.
2. Voluntary pension fund managers operating at the date of entry into force of this resolution shall bring the rules of voluntary pension funds under their management into compliance with the requirements of this resolution within 3 months after the date of entry into force of this resolution.
3. This Resolution shall enter into force on the tenth day after promulgation.

**Chairman of the Central Bank
of the Republic of Armenia**

Artur Javadyan

July 18, 2014
Yerevan

Regulation 10/30

Quantitative and Foreign Currency Restrictions for Voluntary Pension Funds' Investments

Chapter 1. Main Definitions

1. Definitions used in this Regulation have the following meaning:
 - 1) **Foreign state** means The Organisation for Economic Co-operation and Development (hereinafter referred to as OECD) or The European Union (hereinafter referred to as EU) member-state,
 - 2) **Foreign bank** means any financial organisation, which is licensed and supervised by authorized body supervising the banking sector of OECD or EU member-state,
 - 3) **Foreign issuer** means issuer of securities stipulated by points 2, 3 or 4 of part 3 of Article 67 of the Republic of Armenia law “On Funded pensions”,
2. Other definitions used in this regulation have the meaning as defined in the Law of the Republic of Armenia law “On Funded Pensions”, “On Investment Funds”, and “On Securities Market”.

Chapter 2. Foreign Currency Restrictions on Investments of Voluntary Pension Funds

3. The amount of investments in all types of foreign currency, made at the expense of voluntary pension fund assets, shall not exceed 50 % of the fund assets.
4. The amount of investments in non-convertible foreign currencies, made at the expense of voluntary pension fund assets, shall not exceed 3% of total value of the fund assets.

Chapter 3. Foreign Currency Restrictions on Investments of Voluntary Pension Funds

5. Investments in equity securities shall not exceed 75% of the total value of voluntary pension fund assets.
6. Total investments in bank accounts and deposits (including securities certifying the funds deposited in banks) (hereinafter referred to as bank deposit) shall not exceed 50% of the total value of voluntary pension fund assets.
7. Bank deposits invested in the single bank (affiliated banks as stipulated by the Republic of Armenia law “On Banks and Banking Activities”) shall not exceed the total value of the voluntary pension fund assets.
8. Total amount of investments in securities issued by or fully guaranteed by the Republic of Armenia, the Central Bank of the Republic of Armenia shall not exceed 60% of the total value of the voluntary pension fund assets. Moreover, investments in the same issue (tranche) shall not exceed 20% of the total value of the fund assets.
9. Total amount of investments in securities issued by or fully guaranteed by the foreign states or the Central Banks of those states shall not exceed 40% of voluntary pension fund assets. Moreover, the investments in the same issue (tranche) shall not exceed 20% of the total value of fund assets.

10. Total investments in securities stipulated in points 8 and 9 of this regulation shall not exceed 80% of voluntary pension fund assets.
11. Investments in securities issued or fully guaranteed by the local self-governing authorities of the Republic of Armenia, the local governing bodies of foreign states shall not exceed 30% of total value of voluntary pension fund assets.
12. Investments in securities issued by the securitization funds as stipulated by the Republic of Armenia law “On Asset Securitization and Asset-Backed Securities” shall not exceed 10% of total value of voluntary pension fund assets.
13. Investments in securities of the same issuer shall not exceed 10% of the total value of voluntary pension fund assets, unless otherwise stated in this regulation.
14. Amount of investments in securities of affiliated issuers shall not exceed 15% of voluntary pension fund assets.
15. Maximum amount of investments in securities of the same issuer is 25% of the total value of voluntary pension fund assets, in case the issuer is an international financial organization.
16. Maximum amount of investments in securities of the same issuer is 25% of the total value of voluntary pension fund assets, in case these are covered bonds. Covered bonds are the following:
 - 1) Covered mortgage bonds issued by banks and credit organizations according to the Republic of Armenia law “On Covered Mortgage Bonds”.
 - 2) Debt securities issued by foreign banks, in case the proceeds of their distribution are invested in the assets, which:
 - a. serve as sufficient collateral (coverage) in terms of fulfilment of incurred liabilities for the validity period of those debt securities, and
 - b. in the event of issuer bank insolvency or bankruptcy, are primarily used for fulfilment of liabilities to the owners of those debt securities (disbursement of the principal amount of the security (par value) and accrued interests).
17. Voluntary pension fund assets may not be invested in the following:
 - 1) 10% and more of voting equity securities of the same issuer, and (or)
 - 2) More than 10% of non-voting equity securities of the same issuer, and (or)
 - 3) More than 60% of debt securities of the same issuer, and (or)
 - 4) More than 25% of units or shares of any other fund.
18. Investments in securities issued by investment funds shall not exceed 50% of the total value of voluntary pension fund assets. Moreover, the amount of investments in securities issued by investment funds shall not exceed 5% of the total value of voluntary pension fund assets, unless those funds are the following:
 - 1) An open-end, public, standard, diversified investment fund, registered in the Republic of Armenia,
 - 2) An open-end and public investment fund, registered in the foreign state, the fund rules (charter) of which stipulate that at least 90% of assets of investment fund shall be invested only in bank deposits, government bonds, securities admitted or being admitted to trading on regulated market or in any other liquid assets, defined so by the Republic of Armenia Law “On Investment Funds”.
19. Investments in units (shares) of the same investment fund (investment funds managed by the same manager or affiliated managers) shall not exceed 25% of the total value of voluntary pension fund assets.
20. Investments in the same foreign state shall not exceed 25% of voluntary pension fund assets, except for the cases, when the specifics of investment instruments of the fund do not make it possible to clearly identify the participation size of any particular state.
21. Total value of voluntary pension fund investments in securities (except for covered bonds) of the issuer, bank deposits placed with the same person and derivative instruments concluded with the same person shall not exceed 20% of total value of that voluntary pension fund assets.
22. Total value of voluntary pension fund investments in securities (including covered bonds) of the issuer, bank deposits placed with the same person and derivative instruments concluded with the same person shall not exceed 30% of total value of given voluntary pension fund assets,

23. Derivative instruments are concluded only for hedging purposes, if the fund assets include the underlying securities of those derivative instruments, or the particular fund normally carries the hedged risk. The amount of one derivative instrument contract concluded with the same person shall not exceed 10% of the total value of fund assets, if the counterparty of that transaction is a bank, and shall not exceed 5%, if the counterparty of that transaction is any other financial organization. The total amount of risk exposure of all derivative instruments included in voluntary pension fund assets shall not exceed the total value of assets of that fund.

24. The voluntary pension fund assets may only be placed as deposits with the foreign bank, which is rated not lower than “BBB” by Standard & Poor’s, “Baa3” by Moody’s or “BBB-” by Fitch.

25. Voluntary pension fund assets may only be invested in debt instruments of foreign issuers, which (in case of guaranteed bonds-the guarantor) are rated “BBB” by Standard & Poor’s, “Baa3” by Moody’s or “BBB-“ by Fitch or higher.

26. For the purpose of calculation of voluntary pension fund investment restrictions, the total market value of fund assets is used.

27. The investment restrictions set in points 5-23 of this regulation shall apply to the voluntary pension fund 6 months after the date of making the first voluntary pension fund contribution in that fund.