

CODE
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July 9th, 2011, No. 184-N

Approving Requisite Requirements to a Voluntary Funded Pension Deposit Contract

Whereas the introduction of the funded pension contribution scheme in the Republic of Armenia, the creation of a voluntary funded pension component, in order to secure effective operation of the voluntary funded pension deposit schemes by the banks and to protect the interests of depositors;

By virtue of the Republic of Armenia Law on “Funded Pensions”, Article 63 (7); the Republic of Armenia Law on “Legal Acts”, Article 16; the Republic of Armenia Law on “Central Bank”, Article 20 (e), the Board of the Central Bank of the Republic of Armenia

enacts:

1. Provide that the voluntary funded pension deposit contract (hereinafter also referred to as “Deposit”) must at least contain:

1) a title "pension deposit"; moreover, any deposit agreement, which includes a word combination "pension deposit", its conjugated forms, Armenian transliterations, translations of, and their associations with, these words, must fit the requirements to the voluntary funded pension deposit contract as established herewith;

2) the one-time amount of the deposit and/or the amount of regular deposit contributions, and the timing and frequency of such contributions;

3) a provision stating that non-making of regular contributions to the deposit account under the contract shall not be deemed a breach of the contract nor shall it entail a penalty, fine or any other consequence for the participant;

4) the conditions and procedure for putting additional money on to the deposit account;

5) a provision stating that the Republic of Armenia Law on “Attracting of Bank Deposits” applies to the voluntary funded pension deposit contract;

6) a provision stating that pension deposit account transactions are carried out in the currency of the Republic of Armenia;

7) a provision stating that the pension deposit cannot be pledged to secure the fulfillment of the obligation;

8) the conditions and procedure for putting additional money on to the deposit account from other individuals;

9) the annual simple interest rate, pursuant to the meaning used in the Republic of Armenia Law on “Attracting of Bank Deposits”;

10) the annual percentage yield, calculated pursuant to Regulation 8/02 (the Central Bank Board Resolution No. 165-N, dated June 2, 2009);

11) the terms and procedure of interest calculation, interest accrual, and frequency of interest capitalization;

12) the account servicing fees, including provision of account statements, copies and other information, or how such fees are calculated and charged;

13) the description of possible fines and penalties provided for under the contract, the size, calculation method, cases of use, and terms and conditions of applying of such fines and penalties;

14) a provision stating that changes to the terms of the contract can only be made for a future period, as and when agreed upon between the parties,

15) the term of the effect of the contract;

16) a provision stating that a participant shall receive the funded pension deposit as well as the accrued interest only after the statutory retirement age shall have been attained, subject to the Republic of Armenia Law on State Pensions" (hereinafter referred to as the “Law”) or under other circumstances as established by the Law;

17) the conditions, timing and procedure for receiving the deposit amount before the retirement age has been attained, in accordance with the Law;

18) a provision that sets forth principles and mechanism for taxation applied as and when the participant receives a lump sum of funds accumulated and when the participant receives the pensions due;

19) provision that sets forth principles for taxation of voluntary pension contributions as well as income due before the statutory retirement age, subject to the Republic of Armenia Law on "State Pensions";

20) the mode of payment of pension (whether lump-sum or regular payments) or the timing and manner of payment;

21) the timing and manner of payment, if the contract provides for a lump-sum payment;

22) If the contract provides for regular pension payments, the payment frequency (at least quarterly), the amount of pension payable or the calculation mechanism (note that quarterly pension amount shall not exceed 10 percent of funds of the deposit accrued at the time of making the first regular contribution), the terms and procedure; the period within which regular payments are to be made shall not be less than three years;

23) a provision stating that the participant is entitled to choose to receive pensions in cash or non-cash;

24) a provision stating that, after the retirement age has been attained, the participant has the right to request the bank to transfer all or part of the deposit amount to an insurance company in order to sign an annuity contract;

25) the terms and procedure of the transfer of all or part of the deposit amount to the insurance company;

26) the timing and procedure for paying the deposit amount to a deceased participant's heir (the bank will be obliged to pay at the first request of the heir, but no later than 10 working days after submission of the application by the heir) and the requirement to submit a certificate of inheritance and a letter of request.

2. This resolution shall enter into force on the tenth day following its publication.

Arthur Javadyan,
Chairman of the Central Bank

July 15, 2011,

c. Yerevan