

LAW
OF THE REPUBLIC OF ARMENIA

Adopted on 11 October 2007

ON SECURITIES MARKET

SECTION 1

GENERAL PROVISIONS

CHAPTER 1

GENERAL PROVISIONS

Article 1. Main purpose and subject matter of the Law

1. The main objectives of this Law are protection of the rights and legitimate interests of investors, ensuring transparency of the securities market, its sustainable and efficient development, reliability of securities' price formation system, reduction of systemic risks on the securities market.

2. This Law regulates relations arising with respect to the performance of activities on the securities market of the Republic of Armenia and prescribes:

- (1) the procedure for public offering and public purchase and sales of securities;
- (2) the procedure for providing investment services on the securities market and organising public trading of securities;
- (3) the procedure for depositing of securities and settlement systems, as well as activities of the Central Depository;
- (4) the competencies and duties of the Central Bank of the Republic of Armenia (hereinafter referred to as "the Central Bank") with regard to regulation and control over the securities market;

(5) the liability for violation of the requirements of this Law, the regulatory legal acts adopted based thereon and other legal acts.

3. The securities market of the Republic of Armenia shall include persons issuing securities and investing in securities in the territory of the Republic of Armenia, the regulated markets of securities and the field of non-regulated trade, the Central Depository, persons engaged in the activities subject to licensing as prescribed by this Law.

Article 2. Legal acts regulating the securities market

The securities market of the Republic of Armenia is regulated by the Constitution of the Republic of Armenia, international treaties of the Republic of Armenia, the Civil Code of the Republic of Armenia, the Law of the Republic of Armenia “On protection of economic competition”, the Law of the Republic of Armenia “On fundamentals of administration and administrative proceedings”, this Law, the regulatory legal acts adopted based on this Law, other laws and legal acts.

Article 3. Main concepts used in the Law

For the purposes of this Law:

- (1) securities are the securities prescribed by the Civil Code of the Republic of Armenia, as well as other laws (regardless of the form: documentary and book-entry securities), including:
 - a. stocks, other securities granting rights equivalent to the rights vested in stocks;
 - b. bonds and other debt securities, except for the money market instruments;
 - c. depository receipts, documents verifying the right to subscription or acquisition of securities specified in sub points “a” and “b” of this point;
 - d. units, stocks and other equity securities of the investment fund;
 - e. profit-sharing agreement, the document certifying the participation in such agreement;
 - f. money market instruments;
 - g. (Repealed);

h. any other investment agreement used for capital (fund) raising that includes the characteristics of the aforementioned securities fully or partially.

Payment instruments shall not be considered securities within the meaning of this Law;

(2) money market instruments are debt securities with maturities of up to one year, including short-term bonds, bank certificates and other short-term debt securities;

(3) Derivative financial instruments are:

- a. options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative financial instruments, financial indices or financial measures which may be settled physically or in cash,
- b. options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event),
- c. options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market,
- d. options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in sub point “c” above and not being for commercial purposes, which have characteristics of other derivative financial instruments, not having regard to whether they are cleared and settled through recognized clearing houses or are subject to regular margin calls,
- e. derivative financial instruments related to transfer of credit risk,
- f. financial contracts for difference;
- g. options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned under this point, which have the characteristics of other derivative financial instruments, having regard to whether, they are traded on a regulated market, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

(4) standardised derivative financial instrument is a derivative financial instrument which is admitted to trading on the regulated market;

(5) depositary receipt is a security issued on the basis of the stocks of foreign issuer, other documents granting rights equivalent to the rights vested in stocks, bonds or other debt

securities, which shall enable its owner to exercise the rights vested in the securities underlying thereof;

(6) equity securities are:

- a. the stock, other security carrying rights equivalent to the rights vested in stocks;
- b. the depositary receipt based on the securities prescribed by sub point “a” of this point;
- c. any other security, which is providing with the right to acquire the securities prescribed in sub point “a” of this point through conversion, exchange or exercising other rights, and which was issued by the issuer of the securities prescribed by sub point “a” of this point or by any member-issuer of their group.

Equity securities shall be solely nominal;

(7) non-equity security is any security that is not considered an equity security pursuant to point 6 of this Article;

(8) securities offering is any form of communication addressed to persons, which contains an offer for sales or purchase of securities;

(9) public offering of securities is the securities offering addressed to more than 100 persons or to an indefinite number of persons which are not considered qualified investors;

(10) same class of security includes all securities of the given issuer that essentially have the same nature and the owners of which are conferred on by essentially the same rights and privileges;

(11) offer program is the document adopted by the competent management body of the issuer on the basis of which the issuer plans, within a certain period of time, to implement continuous issuance of non-equity securities of the same type and/or of the same class. Issuance shall be considered continuous if within a period of twelve months issuance of the securities of the same type and/or class is executed at least twice Within the meaning of this part, the securities shall also be considered of the same type, if the rights certified by them are essentially of the same nature, which however differ in terms of repayment or priority of receiving other payments, in terms of the amount paid by those securities and repayment maturity;

(12) prospectus is deemed to be the document containing the information defined by this Law and regulatory legal acts adopted based thereon, regarding the issuer and its securities, on the basis of which the public offering of securities and/or admission to trading on the regulated market shall be performed;

(13) issuer is a person which issues (has issued) a security or a person that makes a proposal on issuing securities on its behalf;

(14) reporting issuer is an issuer securities of some class of which are admitted to trading on the regulated market in the territory of the Republic of Armenia;

(15) foreign issuer is a non-resident issuer. The residency shall be applied in accordance with the meaning prescribed in the Law of the Republic of Armenia “On currency regulation and currency control”;

(16) issuance of security is a set of activities carried out by a person relating to the formation of a pool of securities of the same class. Issuance of securities on the basis of the same decision of the issuer, but during different periods (in series) shall be considered a single issuance;

(17) sales of a security is a transaction of sales and purchase, exchange of the given security or any other gratuitous transaction;

(18) placement of securities is the first sales of securities to the investor. Placement may be performed by the issuer or by person (person carrying out placement) having the right to provide investment services provided for by point 6 of part 1 of Article 25 of this Law. The issuers' sales of securities acquired or repurchased by them shall not be considered placement;

(19) public placement is placement of securities through public offering;

(20) a person carrying out placement is a person who acquires securities from an issuer for the purpose of placement and/or offers, sales securities of the issuer or participates in the agreement or contract of undertaking such activity for the purpose of placement, with exceptions prescribed by regulatory legal acts of the Central Bank. Pursuant to this point a person carrying out placement is a person directly or indirectly supervising the issuer, supervised by the issuer or is under common supervision with the issuer;

(21) investor is a person which owns a security or plans to acquire a security;

(22) client is a person using services provided by the investment services provider or has applied for such services to the investment services provider;

(23) qualified investors are:

a. investment companies, branches of foreign investment companies, banks, credit organisations, insurance companies, investment, pension funds and managers of investment companies, as well as legal persons registered in foreign states, which, pursuant to the legislation of the given state, are entitled to carry out activities of any person defined by this sub point;

b. the Republic of Armenia, communities of the Republic of Armenia, the Central Bank, foreign states, local self-government bodies of foreign states, central banks of foreign states;

c. international financial organisations, including the International Monetary Fund, European Central Bank, European Investment Bank;

d. the person considered qualified investor by law or regulatory legal acts of the Central Bank based on the knowledge and experience of the given person in financial sector, his or her ability to hire specialists with relevant knowledge and experience, the amount of his or her net assets or the amount of assets under his or her management and other similar criteria;

e. legal person, the participators (shareholders, unit holders) of which are persons specified in sub points “a-d” of this point.

Persons specified in sub points “d” and “e” of this point shall be considered qualified investors after the registration in the Central Bank in the manner prescribed by regulatory legal acts of the Central Bank;

(24) a person is any natural or legal person;

(25) nominal holder is the person in whose name nominal securities owned by other persons are registered without transfer of ownership rights;

(26) professional securities market participants are investment services providers, operator of the regulated market, operator of the settlement system of securities and other persons provided for by the law;

(27) investment services providers are investment companies, branches of foreign investment company, managers of the investment fund, branches of the foreign manager of an investment fund, banks;

(28) investment company is a legal person having a licence for provision of investment services as prescribed by this Law;

(29) foreign investment company is a legal person registered in a foreign state, which has the right to provide investment services on the basis of the licence issued by the competent body of the given foreign state;

(30) management of the block of securities is management of securities, funds to be invested in securities, securities and funds received from trust management, transferred into possession of the manager but owned by the client and to the benefit of the client or to the benefit of a third person (beneficiary) specified by the client on behalf of the manager, in accordance with the instructions given by the client;

(31) regulated market is a system of organisational, legal and technical means, directly or indirectly available to the public, organising, on a regular basis, the venue or means for securities, as well as derivative financial instruments purchase and sales offers, providing, ensuring or carrying out regular functions of organising the trading in securities, as well as in derivative financial instruments. The regulated market shall include the stock exchange and other regulated markets;

(32) regulated market operator is a person(s) organising the functioning of a regulated market;

(33) listing of securities is a process of admission of securities satisfying certain requirements and criteria prescribed by this Law, regulatory legal acts of the Central Bank and rules of the stock exchange to trading on the stock exchange;

(34) qualifying holding is a direct or indirect holding that gives 10% or more voting right in the authorised capital of the legal person.

Qualifying holding shall be considered direct if the holder acts on its own behalf.

Qualifying holding shall be considered indirect, where:

a. the holder supervises the legal person irrespective of the fact of holding or percentage thereof in the authorised capital;

b. the holder supervises a legal person which has direct qualifying holding in the authorised capital of the legal person;

(35) supervising or supervision is the ability to, directly or indirectly, predetermine decisions of the management bodies of the given legal person, essentially influence decision-making process (application of decisions) or predetermine directions, fields of activities of the legal person by the virtue of dominant shareholding in the authorised capital thereof, in accordance with the agreement concluded with the latter, by the virtue of business image, reputation or otherwise. The fact of such ability may be substantiated pursuant to the criteria prescribed by regulatory legal acts of the Central Bank;

(36) two or more persons shall be considered affiliated, if:

a. one of them directly or indirectly owns by the virtue of voting right twenty or more per cent of equity securities carrying voting right of the other (others);

b. more than half of the members of the board of directors of any of them, director or other official thereof having such competencies, at the same time is a member of the board of directors of the other (others), director or other official thereof having such competencies;

c. one of them supervises the other or they are under common supervision or one of them in accordance with the criteria prescribed by regulatory legal acts of the Central Bank has an actual opportunity or opportunity prescribed by a contract to essentially influence the decisions of the other;

d. they are members of the same family or have been acting in concert in a given situation, upon a common economic interest;

(37) members of the same family are the father, the mother, the spouse, parents-in-law, the grandmother, the grandfather, sister, brother, children, sister's and brother's spouses and children;

(38) the fact or information shall be considered essential if it is valued when taking a decision to purchase or sales the security and/or if it may have an essential impact on the price of the security;

(39) distortion or omission of a material fact is providing an information on a given fact that does not comply with reality, or not including a material fact in any provision (statement), the inclusion of which is required by the law or by other legal acts adopted in

accordance with that law, and the inclusion of which is essential at the moment of inclusion (making a statement) of the given provision (statement) to avoid misrepresentation;

(40) competent body of a foreign state is a competent state body controlling the securities market of the foreign state;

(41) branch of a foreign investment company is a separate subdivision of a foreign investment company established in the territory of the Republic of Armenia;

(42) foreign security is a security issued by a non-resident. The residency shall be applied in accordance with the meaning prescribed by the Law of the Republic of Armenia “On currency regulation and currency control”;

(43) group is a supervising legal person together with the legal persons supervised by it.

(Article 3 amended, supplemented by HO-271-N of 22 December 2010, amended by HO-134-N of 14 April 2011)

Article 3.1. Specificities of regulation of derivative financial instruments and financial contracts

1. Provisions of this Law and regulatory legal acts adopted based on this Law shall apply, unless otherwise provided by this Law and legal acts regulating securities market, to the standardised derivative financial instruments and their markets, as well as to other derivative financial instruments and their markets in cases directly prescribed by this Law or in cases prescribed by Central Bank regulatory legal acts adopted based on the law.

2. Central Bank shall have right to regulate by its regulatory legal acts derivative financial instruments and their markets, if absence of such regulation may threaten financial stability or normal activity of financial markets or may violate consumer interests or may increase riskiness of derivative financial instruments.

3. Central Bank may define by its normative legal acts model agreements for derivative financial instruments and financial contracts widely applied in international markets. Parties, may, when entering into contracts specified in this point or during their term of execution, choose to apply to the terms of contract the law of the state which usually shall apply to the similar model contracts. Provision of applicable foreign law as set forth in this point shall not

apply if it contradicts to the mandatory (imperative) provisions of the Republic of Armenia law or Republic of Armenia's public order.

4. Central Bank shall establish a unified repository of derivative financial contracts (trading book). The procedure and time limits for registration of derivative financial contracts, submission, processing and storage of information, as well as the procedure of Trade Repository maintenance, shall be prescribed by regulatory acts of the CBA. The manner, time limits and the content of information to be submitted to tax authority shall be defined by joint legal act of the CBA and tax authority.

SECTION 2

OFFERING OF SECURITIES

CHAPTER 2

PUBLIC OFFERING OF SECURITIES

Article 4. Scope of application of this Section

Provisions of this section shall not extend to:

- (1) securities issued or guaranteed by the Republic of Armenia, the Central Bank, communities of the Republic of Armenia;
- (2) securities issued or guaranteed by the state, included in the list of foreign states defined by the Central Bank, its central bank or local government bodies;
- (3) non-equity securities issued by international organisations included in the list defined by the Central Bank;
- (4) securities issued for religious, educational or charitable purposes by religious, educational, charitable and other non-commercial organisations;
- (5) non-equity securities issued by the banks in a continuous manner, if they:
 - a. are not convertible or exchangeable;

- b. do not verify acquisition or subscription rights for other types of securities and are not related to derivative **financial** instruments;
 - c. verify the deposit of funds in the bank; and
 - d. their remuneration is guaranteed as prescribed by the Law of the Republic of Armenia “On guarantee of reimbursement of Bank deposits of natural persons”;
- (6) non-equity securities issued by the banks in a continuous manner, if the aggregate nominal value of the securities offered within 12 month does not exceed the amount defined by regulatory legal acts of the Central Bank and they:
- a. are not convertible or exchangeable; and
 - b. do not verify acquisition or subscription rights for other types of securities and are not related to derivative **financial** instruments;
- (7) standardised derivative instruments, except for derivative financial instruments defined by the Central Bank;
- (8) money market instruments;
- (9) securities issued by public investment funds.

(Article 4 supplemented by HO-271-N of 22 December 2010)

Article 5. Requirement for publication of the prospectus in case of public offering of securities

1. It shall be prohibited to make public offering of securities without publication of the prospectus meeting the requirements of this Law. The prospectus shall be drawn up and published as prescribed by this Law and regulatory legal acts of the Central Bank.
2. Provisions of this section relating to the person carrying out placement shall extend to the issuer where the latter does not make public offering of securities through the person carrying out placement.

Article 6. Exceptions from the requirement for publication of the prospectus

1. Requirement for publication of the prospectus shall not extend to the public offerings of securities, where:

- (1) offer is made exclusively to the qualified investors;
- (2) offer is made to the investors, the total amount of securities being acquired by each of them, in accordance with terms of the offer in the selling price, exceeds the amount defined by regulatory legal acts of the Central Bank, in each particular offer;
- (3) the nominal value of the offered security per unit exceeds the amount defined by regulatory legal acts of the Central Bank;
- (4) the aggregate value of the offered securities at the issuance or selling price, within 12 month, does not exceed the amount defined by regulatory legal acts of the Central Bank.

2. Requirement for publication of the prospectus shall not extend to the public offering of the following securities:

- (1) stocks which have been issued for the purpose of exchange with the stocks of the same class of the issuer where it does not lead to the increase of the authorised capital;
- (2) securities which through an exchange are offered by the issuer in regard with acquisition of equity securities of another company and a document accessible for interested investors is available, which in the opinion of the Central Bank contains information equivalent to the information required by the prospectus;
- (3) securities which are offered by the issuer to the shareholders of the merging company in regard with merging of another company with the issuer and a document accessible for interested investors is available, which in the opinion of the Central Bank contains information equivalent to the information required by the prospectus;
- (4) stocks of the same class that are paid for as dividends on stocks, if a document accessible for interested investors is available, which contains information regarding the number and type of the stocks, as well as the objective and terms of the offer;
- (5) securities which are offered by the issuer or a person belonging to the group of the issuer to the acting or former executive officers or employees of the given issuer, if any security of that issuer is admitted to trading on the regulated market functioning in the Republic of Armenia and a document accessible for interested investors is available, which

contains information regarding the number and type of the securities offered, as well as the objective and terms of the offer;

(6) securities which are admitted to the public offering (sales) and/or trading in any state that is included in the list of foreign states prescribed by regulatory legal acts of the Central Bank, as prescribed by the security legislation of the given state, or are admitted to trading on any regulated market included in the list of the regulated markets functioning outside the territory of the Republic of Armenia prescribed by regulatory legal acts of the Central Bank, as prescribed by the rules of the given regulated market. The Central Bank may by the regulatory legal acts thereof prescribe additional requirements for the securities specified in this point.

3. For the purpose of protection of investors, the Central Bank shall have the right to prescribe by regulatory legal acts thereof requirements and a procedure for sales of securities prescribed by point 6 of part 2 of this Article in the territory of the Republic of Armenia. The Central Bank shall have the right to suspend or prohibit by its decision the sales of securities provided for by point 2 of part 6 of this Article as prescribed by this Law and the regulatory legal acts adopted in accordance with this Law, if in the reasonable opinion of the Central Bank the sales of the given securities in the Republic of Armenia endangers the interests of investors.

4. On the basis of the document prescribed by points (2) and (3) of part 2 of this Article, public offering of securities prescribed by those points may be made only upon prior consent of the Central Bank. In order to obtain prior consent of the Central Bank, the issuer or the person carrying out placement shall submit an application to the Central Bank, the form thereof and list of documents to be attached thereto shall be prescribed by regulatory legal acts of the Central Bank. The Central Bank shall take a decision on granting prior consent or on refusal to grant consent within 20 working days upon receiving all the necessary documents. The Central Bank shall refuse to grant prior consent if the documents submitted do not comply with the requirements prescribed by this Law and regulatory legal acts of the Central Bank or if a material fact is omitted distorted in therein.

5. The requirements for the form and content of the documents provided for by points (4) and (5) of part 2 of this Article shall be prescribed by regulatory legal acts of the Central Bank.

6. Within the meaning of points 2-5 of part 2 of this Article, a document shall be considered accessible for interested investors if it has been duly delivered to all interested investors or published on the official internet website of the issuer or the person carrying out placement and it is available in printed form for all interested investors at the place of the issuer or the person carrying out placement. Within the meaning of points 2-5 of part 2 of this Article interested investor shall mean a person to whom the offer of the given securities is addressed.

7. In case of offers provided for by point 1 of this Article, the issuer shall be obliged to inform the Central Bank as prescribed by regulatory legal acts of the Central Bank within 15 days after completion of the placement of securities. The Central Bank shall have the right to require from the issuer and the person carrying out placement additional information necessary for substantiating the application of that exception.

Article 7. Requirements for the form of securities

1. Issuing, selling or making an offer of sales or an invitation to purchase a bearer security subject to public offering or admission to trade on the regulated market, shall be prohibited.

2. Securities of documentary form that shall be publicly offered or shall be admitted to trading on the regulated market, in the manner and in the cases prescribed by regulatory legal acts of the Central Bank and by the rules of the Central Depository shall be transferred by the Central Depository into the non-documentary form (dematerialisation) or immobilised, before initiation of the process of public placement of securities or before applying for admission to trading on the regulated market.

Article 8. Prospectus

1. The prospectus shall contain complete information on the issuer and the offered securities that shall be sufficient to make a substantiated estimation by the investor regarding financial position, revenues and expenses of the issuer and any guarantor of liabilities provided for by securities (hereafter referred to as “guarantor”), business prospects, risks thereof, as well as the rights vested in those securities.

2. The prospectus may be drawn up in the form of a single document or separate documents. The prospectus drawn in the form of a single document or separate documents shall contain a

summary page (hereafter referred to as “summary page”) that meets the requirements prescribed by part 3 of this Article. The prospectus drawn up in the form of separate documents shall consist of a registration document containing information on the issuer, description and summary page containing information on the offered securities.

If the prospectus is drawn up in the form of separate documents, each document shall be subject to registration by the Central Bank.

3. The summary page shall contain non-technical information on the issuer, risks thereof, financial position and the business prospects, as well as information on the guarantor (if any) and the offered securities, briefly described in the same style and language with the original prospectus. The summary page shall contain a notification emphasising that the summary page shall be treated as an introductory brief description of the prospectus and the decision of the investor on making investments in the offered securities shall be based on the complete prospectus.

The person responsible for the drawing up of the summary page shall bear civil responsibility for providing incomplete and misleading information (including in regard to translation) if the summary page is considered incomplete or misleading when considered with other parts of the prospectus. That provision shall be included in the summary page.

4. Requirements for the form and content of the prospectus shall be prescribed by regulatory legal acts of the Central Bank. The Central Bank may prescribe different requirements for the form and content of the prospectus based on the type of the offered securities.

5. Based on the written application of the issuer, the Central Bank may prescribe exceptions for publication of certain information contained in the prospectus, if:

(1) disclosure of such information contradicts the public interest or may lead to disclosure of state secret;

(2) disclosure of such information may cause essential damage to the legitimate interests of the issuer, provided that non-inclusion of such information in the prospectus will not mislead the investors in estimating the present and future financial position of the issuer, person carrying out placement, guarantor (if any) or rights vested in the securities offered.

6. In the cases prescribed by part 5 of this Article, the issuer shall be obliged to provide the Central Bank with the respective information together with the written substantiation of the necessity of non-disclosure of that information.

7. Central Bank shall, within 10 working days after receiving the application provided for by this part, take a decision on respecting the confidentiality of information or rejecting to respect the confidentiality. The Central Bank shall refuse to respect the confidentiality of information, if based on sufficient substantiation, considers that the information is essential and not including that information in the prospectus may endanger the interests of investors and mislead them on essential points with regard to the estimation of the present and future financial position of the issuer, person carrying out placement, guarantor (if any) or offered securities. Within a period of 3 working days upon the day of refusal to respect the confidentiality of information, the issuer shall be obliged to submit the prospectus supplement to the Central Bank.

8. The Central Bank shall have the right to prescribe by its regulatory legal acts the list and description of information, the confidentiality of which shall be maintained by the Central Bank in any case.

9. The procedure for submission of confidential information and documents shall be prescribed by the regulatory legal acts of the Central Bank. The Central Bank shall be obliged to ensure the non-disclosure of such information and documents by the internal rules of procedure and by undertaking other measures.

10. If the final price of the offered securities and the volume of the offer are impossible to include in the prospectus, it shall at least contain the maximum price of security and the method or conditions for determination of the final price and volume of the offered securities.

11. In cases prescribed by part 10 of this Article, final information on the price and volume of the offered securities in the form of prospectus supplement shall be submitted to the Central Bank and shall be published as prescribed by Article 16 of this Law, prior to the initiation of the placement process.

Article 9. Program prospectus

1. The issuer or the person carrying out placement shall have the right to publish a program prospectus instead of the prospectus, in case of public offering of non-equity security issued based on the offer program, as well as in the case of public offering of asset-backed securities or the secured mortgage bonds (hereafter referred to as “asset-backed securities”) provided for by the law.

2. The program prospectus may be drawn up only in the form of a single document.
3. In case of the program prospectus, the requirement prescribed by part 11 of Article 8 of this Law shall be applied in every offer provided for by the program prospectus.
4. Provisions of this Law that relate to the prospectus shall also be applied to the program prospectus unless otherwise prescribed by this Law and regulatory legal acts of the Central Bank.

Article 10. Registration of the prospectus

1. The prospectus may not be published if it is not registered in the Central Bank as prescribed by this Law and regulatory legal acts of the Central Bank.
2. To register the prospectus, the issuer or the person carrying out placement shall submit the application for the registration of prospectus to the Central Bank, the form of which shall be prescribed by the Central Bank. The following shall be attached to the application:
 - (1) the prospectus in one copy and electronic version of the prospectus text;
 - (2) the copy of the charter of the issuer;
 - (3) the state duty payment receipt;
 - (4) other documents prescribed by the regulatory legal acts of the Central Bank.
3. The prospectus shall be deemed registered on the 20th working day following the day the application for registration is received by the Central Bank, if it has not been registered by the Central Bank earlier, except for the cases provided for by part 4 of this Article, as well as in the cases when the prospectus has been submitted in the process of registration of the investment fund (its rules). The prospectus submitted in the process of registration of the investment fund (its rules) shall be deemed registered by the registration of the investment fund (its rules).
4. If according to the Central Bank the submitted documents are incomplete, the prospectus does not comply with the requirements prescribed by this Law and regulatory legal acts of the Central Bank, the prospectus contains material errors or misleading information, material fact is omitted or distorted in the prospectus or, in reasonable opinion of the Central Bank, the prospectus does not contain necessary and sufficient information for protection of the interests

of investors, the Central Bank shall require the issuer or person carrying out placement to submit the prospectus supplement.

If before the day of registration any prospectus supplement is submitted to the Central Bank, the application for registration of the prospectus shall be considered submitted to the Central Bank from the day of its receipt.

5. The Central Bank shall provide the decision on the registration of prospectus the person having submitted the application for registration of prospectus within the period of 3 working days following the day when the decision was taken.

6. The Central Bank shall not bear any responsibility for the accuracy and authenticity of the information included in the prospectus. The prospectus must contain a provision specifying that the registration of the prospectus by the Central Bank does not certify security of investment, the accuracy and authenticity of the provided information. That provision in the edited version approved by the Central Bank shall be incorporated in the beginning of the prospectus, in a visible place.

(Article 10 supplemented by HO-211-N of 12 November 2012)

Article 11. Signing of the prospectus

1. Accuracy and completeness of the information included in the prospectus shall be verified by the signatures of the majority of members of the board of directors (or other body having the same competencies), executive director, chief accountant (if there is a department or any other executive body in the structure of the issuer, signatures of all members of that body shall also be required) of the issuer.

2. In case an expert opinion provided by an accountant, appraiser, consultant or any other expert is used in the prospectus or if their expert opinion (conclusion, report) is received for the use in the prospectus, such opinion shall be signed by them and fully included in the prospectus upon the written consent of the person who has prepared the opinion, and shall be attached to the prospectus. Accuracy and completeness of the information provided in financial statements included in the prospectus shall be verified by an independent audit opinion.

Article 12. Obligation for compensation

1. Where any material fact is omitted or distorted in the prospectus, including its translation, the issuer or person carrying out placement shall be obliged to compensate the losses incurred by the owner of securities caused by omission or distortion of such fact or information. Persons specified in part 2 of Article 11 of this Law shall bear liability for the opinion, statement, report, conclusion, appraisal act included in the prospectus and submitted by them.
2. Persons specified in part 1 of this Article shall bear joint liability (except for the persons specified in part 2 of Article 11 of this Law, when solely the liability of two or more experts that signed the same document or the same part of that document is joint) towards the buyer of the security as persons that jointly caused the damage and shall use the right for counter-claim to each other.
3. The obligation of the issuer prescribed by part 1 of this Article shall also apply in cases when the sources of information included in the prospectus were third parties, irrespective of their liability.
4. The person carrying out placement shall be released of the obligation prescribed by part 1 of this Article if the latter proves that after sufficient and proper studies, he had sufficient grounds to believe and thereby believed in absence of inaccurate information or its distortion (omission) in the prospectus at the moment of its registration.

Article 13. Amount of compensation

1. The person that has inflicted losses to investors pursuant to Article 12 of this Law shall be obliged to compensate such losses through repurchase of securities sold to that person, at the acquisition price of securities. By compensating the loss in the specified manner, the person that inflicted losses shall be released from the obligation to compensate that person for any other loss.
2. The distributor shall not bear the obligation prescribed by Article 12 of this Law, if the person that has incurred losses, at the moment of acquisition of securities, was aware or obviously might be aware that the prospectus contains false and misleading information or a material fact is omitted or distorted in it.

3. Any agreement between the issuer or the person carrying out placement and the investor on exclusion, restriction or reduction of the obligation prescribed by Article 12 of this Law shall be void.
4. The limitation periods for claims arising from Article 12 of this Law shall constitute five years from the moment of initiating the placement of the given security.

Article 14. Prospectus supplements

1. Where information included in the prospectus is essentially amended, new material circumstance or fact emerges or an essential inaccuracy, deficiency is discovered in the prospectus starting from the moment of submission of the application for registration of the prospectus till the expiration of the period of public placement of securities, the issuer or the person carrying out placement shall be obliged to submit the prospectus supplement to the Central Bank within 5 working days starting from the day of being informed about that or the day he obviously could have been informed about the given amendment.
2. The summary page (and its translation, if any) shall be supplemented or published anew taking into consideration the information provided in the prospectus supplement.
3. Requirements for the registration and publication of the prospectus prescribed by this Law shall also extend to the supplements submitted after the registration of the prospectus, except for the period prescribed by part 4 of this Article.
4. Prospectus supplement shall be considered registered on the 7th working day following the day of receipt of the application for registration by the Central Bank. The Central Bank shall take a decision on refusing the registration of the prospectus supplement within 7 working days upon receipt of the application for registration of the supplement thereby.
5. The prospectus supplement shall be considered an integral part of the prospectus.

Article 15. Period of validity of the prospectus

1. The period of validity of the prospectus is the period following the publication of the prospectus, during which the public offering made on the basis of the given prospectus shall be deemed valid.

2. The period of validity of the prospectus shall be 12 months, if the requirements prescribed by Article 14 of this Law have been observed.
3. In case of an offer program, period of validity of the program prospectus shall be 12 months, whereas in case of covered securities — up to the end of the issuance of those securities.
4. The period of validity of the registration document prescribed by part 2 of Article 8 of this Law shall be 12 months, if the requirements prescribed by Article 14 of this Law have been observed. The registration document along with the description of securities and the summary page shall be treated as a valid prospectus.
5. Following the completion of the period of validity of the prospectus, public offering of securities on the basis of the given prospectus shall be prohibited.

Article 16. Procedure for publication of prospectus

1. The prospectus shall be published by the issuer or the person carrying out placement within the shortest possible period after its registration by the Central Bank, but not later than 3 working days before the initiation of the public placement.
2. The prospectus shall be published at least in electronic version on the internet website of the issuer or person carrying out placement (including the person charging the payment for securities).
3. The issuer or person carrying out placement (including the person charging the payment for securities) shall, upon request of any person, provide a printed version of the prospectus thereto at no charge. The printed version of the prospectus shall be provided to the person not later than on the working day following the day when such request was submitted.
4. The Central Bank shall be obliged to publish the prospectus registered thereby on its official internet website — for a period of 12 months starting from the day of registration of the prospectus.
5. If the prospectus consists of separate documents or the information contained in it is provided in the form of references, those documents may be published separately, provided that all the specified documents are made available for the public as prescribed by parts 2 and 3 of this Article. Each of the aforementioned documents shall contain a note on where and

how other documents and/or information constituting a part of the prospectus may be obtained. The information contained in the summary page may not be provided in the form of references.

6. If there is a registration document of the prospectus consisting of separate documents, which is considered valid pursuant to part 3 of Article 15 of this Law, the public offering may be made only through the description of securities and publication of the summary page. In this case, the description of securities shall contain such information on material facts and circumstances that is usually included in the registration document and occurs after registration of the registration document or its supplement.

7. The form and content of the published prospectus shall comply with the form and content of the prospectus registered by the Central Bank throughout the entire period of publication.

Article 17. Public offering announcement

Immediately after the publication of the prospectus, but not later than the first day following the publication of the prospectus, the person carrying out placement shall publish an announcement on public offering in the manner and with the content prescribed by regulatory legal acts of the Central Bank, except for the cases when publication of the prospectus is not required pursuant to this Law.

Article 18. Requirements for advertising

1. Any information relating to the public offering that was published in written form or verbally for advertisement or other purposes, shall not be false or misleading and shall contain information included in the prospectus.

2. Public offering may be advertised only after its announcement as prescribed by Article 17 of this Law.

3. Advertisement of public offering shall contain information on the places of publication and acquisition of the prospectus. Any advertising material relating to the public offering shall comply with the requirements prescribed by the law and regulatory legal acts of the Central Bank.

4. The Central Bank may require as prescribed by regulatory legal acts thereof submission of any document or announcement which is being used for advertising the public offering of securities.
5. Where pursuant to this Law publication of the prospectus is not required for public offering of securities and the offering is made exclusively to the qualified investors and/or investors defined by point (2) of part 1 of Article 6 of this Law, the person carrying out placement shall disclose all essential documents and information relating to the offer of securities equally to each of the aforementioned investors.
6. The Central Bank shall have the right to prohibit or suspend for a maximum period of 10 working days the advertisement of public offering by decision thereof, if in reasonable opinion of the Central Bank, it violated or may violate the requirements prescribed by this Law and regulatory legal acts adopted based thereon.
7. Within the period defined by the decision provided for by part 6 of this Article, the advertiser shall be obliged to eliminate committed violations, after which the advertiser may continue advertisement of public offering upon the consent of the Central Bank.

Article 19. Language of the prospectus

1. The prospectus, its supplements that are registered by the Central Bank, as well as other information relating to the public offering and the issuer, shall be published in Armenian in the Republic of Armenia. The requirement prescribed by this part shall not restrict the right to draw up and publish the specified documents and information in other languages along with the Armenian.
2. The prospectus, its supplements that are registered by the competent body of a foreign state, as well as other information relating to the public offering and the issuer, may be published in a foreign language in the Republic of Armenia only upon the permission of the Central Bank. The Central Bank shall grant permission for publication of the aforementioned documents and information in a foreign language only in cases it considers that the interests of investors are not endangered thereby.
3. If the prospectus is published in a foreign language in the cases provided for by part 2 of this Article, the Central Bank shall have the right to require the publication of the summary page in Armenian.

4. Where the documents and information specified in part 1 of this Article are published in other languages along with the Armenian and there is a semantic discrepancy between the documents published in different languages or they can be interpreted in different meanings, the document published in Armenian shall prevail.

Article 20. Obligation to repurchase

1. If in the course of placement the person carrying out placement submits a prospectus supplement that refers to an essential change of the information included in the prospectus, the occurrence of a new material circumstance or fact, the person carrying out placement, at the request of the investor, shall revoke the acceptance given by the investor and reimburse the funds received from the investor in the course of subscription or repurchase the securities sold to the investor prior to the submission of the supplement, at least at the security acquisition price.

2. The obligation prescribed by part 1 of this Article shall be applicable also in case of publication of information on final price and number of the offered securities, where in the cases provided for by this Law, the prospectus does not contain information on final price and number of the offered securities.

3. The request for repurchase prescribed by part 1 of this Article shall be submitted to the person carrying out placement in the written form. The period for submission of the request for repurchase may not be less than 5 working days after the publication of the prospectus supplement.

4. Repurchase of securities and reimbursement of funds received in the course of placement shall be carried out within a maximum period of 10 working days after the submission of the request prescribed by part 3 of this Article.

Article 21. Suspension of placement

1. The Central Bank shall suspend the placement process by the decision thereof, if:

(1) in the course of placement the requirements of this Law and/or other legal acts regulating public offering were violated;

(2) in the course of placement the terms of public offering prescribed in the prospectus were not observed;

(3) the prospectus contains essential errors and misleading information or if a material fact is omitted or distorted in the prospectus.

2. Decision on suspending the placement shall contain assignment to eliminate the revealed violations and omissions and execution period thereof, after which, upon the permission of the Central Bank, the placement may be continued.

3. The placement process may be suspended at the initiative of the person carrying out placement only upon the consent of the Central Bank — for a maximum period of 10 working days. Where upon the expiration of the suspension period the placement does not continue during one working day, the person carrying out placement shall be obliged to terminate the distribution and reimburse the funds received in the course of placement to the persons that acquired securities, as prescribed by Article 20 of this Law, within a period of 10 working days from the expiration of the suspension period.

4. The person carrying out placement shall be obliged to publish information on suspension and continuation of the placement, termination of placement and reimbursement of funds received in the course of placement, at least through those means through which the announcement on public offering was published.

5. The Central Bank shall publish its decisions on issuing order and giving consent provided for by parts 1 and 3 of this Article, correspondingly, on its official internet website.

Article 22. Reports on the process and results of placement

The person carrying out placement shall, not later than on the 15th day upon the expiration of each 30th day from the moment of starting the public placement, as well as within a period of 30 days after completion of placement, be obliged to submit to the Central Bank a report on the process and results of placement in the form and manner prescribed by regulatory legal acts of the Central Bank.

Article 23. Public offering of securities by foreign issuers

1. Provisions of this section shall extend to public offering of securities of a foreign issuer in the Republic of Armenia, unless otherwise provided for by this Law.

2. Public placement of securities of a foreign issuer may be performed only by a person having the right to provide investment services provided for by point (6) of part 1 of Article

25 of this Law and has signed a contract with the issuer on providing securities placement services.

3. For registration of the prospectus of the foreign issuer in the Central Bank, the person carrying out placement shall submit to the Central Bank the following documents:

- (1) the prospectus in one copy and text of the prospectus in electronic version;
- (2) the copy of the charter of the issuer;
- (3) registration certificate of the prospectus issued by the competent body of the state of the issuer or other document by which the publication of the prospectus is permitted (in case of availability of such document);
- (4) the copy of annual statement of the issuer for the previous fiscal year, approved by the person of the issuer carrying out audit;
- (5) the contract signed with the person providing investment services which is registered in the Republic of Armenia and by which the latter assumes placement duties;
- (6) other documents prescribed by the regulatory legal acts of the Central Bank.

4. If the documents specified in part 3 of this Article are drawn up in a foreign language, they shall be submitted to the Central Bank along with their Armenian version, unless otherwise prescribed by Article 19 of this Law.

5. The Central Bank may register the prospectus of a foreign issuer that was drawn up pursuant to the legislation of a foreign state, if in the view of the Central Bank:

- (1) the prospectus was drawn up in accordance with international standards adopted by the international organisations of bodies exercising control over the securities market, including the standards for information disclosure adopted by the International Organisation of Securities Commissions;
- (2) the requirements prescribed by the legislation of the country of the issuer for the information included in the prospectus are equivalent to the requirements prescribed by this Law and legal acts adopted based thereon.

6. Procedure and terms for the sales of securities of foreign investment funds in the Republic of Armenia shall be prescribed by the Law of the Republic of Armenia “On investment funds”.

(Article 23 supplemented by HO-271-N of 22 December 2010)

Article 24. Obligation to inform about the offer in a foreign state

1. The issuer shall be obliged to inform the Central Bank about the offer of securities issued thereby in a foreign state, by submitting to the Central Bank the following documents:

- (1) the copy of the document verifying permission for publication of the prospectus that was given to the issuer by the competent body of the state where the offer is to be performed;
- (2) the copy of the prospectus;
- (3) the copies of other documents related to the offer which were submitted to the competent body of the state where the placement is to be performed.

2. The documents provided for by part 1 of this Article shall be submitted to the Central Bank within a period of 10 days upon the receipt of the document verifying the permission for publication of the prospectus by the competent body of the state where the offer is to be performed.

SECTION 3

PROVISIONS OF INVESTMENT SERVICES

CHAPTER 3

GENERAL PROVISIONS

Article 25. Investment services

1. Within the meaning of this Law, the investment services shall mean services where the person:

- (1) receives and communicates assignments regarding securities transactions from clients;
- (2) executes securities transactions on its behalf or on behalf of the client and at the expense of the client;

- (3) provides consultation to clients regarding the investments in securities;
- (4) executes securities transaction at its expense and on its behalf;
- (5) manages the pool of securities;
- (6) carries out guaranteed or non-guaranteed placement of securities.

2. The performance of activities prescribed by point (4) of part 1 of this Article shall not be considered provision of investment services, if it is not carried out on a periodic basis and does not constitute a part of the main activities of the given person. Activities of investment funds prescribed by the Law of the Republic of Armenia “On investment funds” shall not be considered provision of investment services as well.

(Article 25 supplemented HO-271-N of 22 December 2010)

Article 26. Non-basic services

Within the meaning of this Law non-basic services shall mean:

- (1) depositing of securities;
- (2) granting of loans to clients for securities transactions provided that the lender is a party to such transaction;
- (3) provision of services related to the organisation of issuance and placement of securities;
- (4) provision of consultations to companies on structure of capital, corporate strategy issues, provision of consultation and other services related to the reorganisation of companies;
- (5) carrying out operations on broker/dealer purchase and sales of foreign currency;
- (6) *(the point repealed by HO-134-N of 14 April 2011)*
- (7) development and dissemination of researches, financial analyses and other general investment proposals related to securities transactions.

(Article 26 supplemented by HO-263-N of 13 November 2007, amended by HO-134-N of 14 April 2011)

Article 27. Persons providing investment services

1. Legal norms prescribed by this Law or regulatory legal acts adopted based thereon regarding investment companies or for them shall also extend to the branches of foreign investment companies operating in the territory of the Republic of Armenia, unless otherwise prescribed by this Law or regulatory legal acts adopted based thereon, or when it obviously results from the essence of the legal norm that it does not refer to the branch of a foreign investment company operating in the territory of the Republic of Armenia.

2. Investment services and non-basic service specified in point 1 of Article 26 of this Law may be provided only by:

(1) the persons providing investment services;

(2) persons and bodies specified in Articles 30 and 31 of this Law.

3. Non-basic services prescribed by points (3), (4) and (7) of Article 26 of this Law may be provided by other persons as well.

3.1. Credit organisations may provide investment services, as well as non-basic services prescribed by point (1) of Article 26 of this Law exclusively in the scope of part 3.1 of Article 8 of the Law of the Republic of Armenia “On credit organisations”.

4. The Central Bank shall have the right to prescribe by regulatory legal acts thereof the rules and requirements for provision of investment and non-basic services by persons providing investment services.

(Article 27 supplemented by HO-134-N of 14 April 2011)

Article 28. Investment companies

1. The investment company shall mean a joint-stock or limited liability company that has been issued a licence for providing investment services as prescribed by this Law and regulatory legal acts adopted based thereon, the activities of which shall be the provision of investment services separately or along with non-basic services.

2. The Central Bank shall have the right to permit the investment companies by regulatory legal acts thereof to carry out such types of additional activities, which are closely related to the activities provided for by part 1 of this Article, by prescribing, upon necessity, additional requirements for their implementation.

3. The investment companies shall be prohibited to carry out any other activities not provided for by this Article, unless otherwise prescribed by the regulatory legal acts adopted in accordance with part 2 of this Article. The violation of this restriction shall be considered a ground for revoking the licence of the investment company.

4. The additional requirements for the activities of the investment company as a member of a financial group shall be prescribed by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.

(Article 28 supplemented by HO-137-N of 12 November 2015)

Article 29. Usage of separate phrases and words

1. Only persons holding the licence for providing investment services may use in their name the phrases and words “investment company”, “brokerage”, “dealer”, “trust manager” or “depository”, their declensions, Armenian transcription of those words in a foreign language, translations or combinations thereof, except for the cases, when the meaning of such word obviously implies that it does not refer to the provision of investment services.

2. Investment companies shall not have the right to use such misleading words in the names thereof, which may cause misunderstanding on the financial position, legal status or services provided by the given investment company.

Article 30. Exceptions from the provisions of this section

Provisions of this section shall not extend to:

(1) insurance companies and investment services provided by insurance companies in the cases and procedure prescribed by the laws and regulatory legal acts regulating the activities of insurance companies;

(2) the companies, which provide investment services only to the legal persons belonging to the same group, or the investment services provided by which are restricted by the management of securities issued only by the companies of the same group for their employees or executive officers;

(3) the company, which provides only the investment service provided for by point (1) of part 1 of Article 25 of this Law exclusively to the person providing investment services and has no competence to possess the client's funds with regard to the provision of investment services.

(4) the management of funds of the Guarantee fund by the Bureau of insurance companies carrying out compulsory insurance of liability arising out of the use of motor vehicles, in cases and procedure prescribed by laws and regulatory legal acts regulating the activities of the Bureau of insurance companies carrying out compulsory insurance of liability arising out of the use of motor vehicles;

(5) the management of funds of the Guarantee fund provided for by the Law of the Republic of Armenia "On funded pensions" by the person not considered a person providing investment services;

(6) the natural or legal person carrying out trust management of only a public servant's or a high-ranking official's share in the statutory capital of the commercial organisation;

(7) persons who execute securities transactions on their behalf or provide to the clients investment services relating to derivative financial contracts on commodities specified in sub point (g) of point 3 of Article 3 of this Law, provided that execution of such transactions or provision of such services for entities belonging to the same group is not considered as main activity, the main activity of that person is not considered to be provision of investment services within the meaning of this Law or that person is not considered as investment service provider.

(8) with persons whose main activity is execution, on their behalf, of transactions with commodities and derivative financial instruments relating to such commodities, or only with derivative financial instruments relating to such commodities, except of persons whose main activity is execution, on their behalf, of transactions with commodities and/or derivative financial instruments relating to such commodities and which, for the purpose of this law, are members of investment service provider or such person is an investment service provider. Provisions prescribed by this Section shall apply also to the cases where investment services providers provide derivative financial instruments services.

(Article 30 supplemented by HO-70-N of 18 May 2010, HO-271-N of 22 December 2010, HO-126-N of 19 March 2012)

Article 31. Scope of application of the provisions of this section

Provisions of this section referring to the persons providing investment services and provision of investment services shall not extend to:

- (1) the Republic of Armenia and communities of the Republic of Armenia;
- (2) the Central Bank;
- (3) the Central Depository.

Article 32. Unions of persons providing investment services

1. Persons providing investment services may establish non-for-profit unions and/or join them for the purpose of coordinating their activities, representing and protecting their interests, exchanging information and jointly solving other problems.
2. Unions of persons providing investment services may not provide investment services.
3. Unions of persons providing investment services within a period of 10 days from the moment of their state registration shall notify the Central Bank about that, providing information on their location, management bodies and executive officers, as well as about changes thereof in the future, within a period of 10 days following those changes.

CHAPTER 4

PERMISSION FOR CARRYING OUT ACTIVITIES

Article 33. Licence for provision of investment services

1. The provision of investment services without the licence issued as prescribed by this Law and regulatory legal acts adopted based thereon shall be prohibited, except for the cases prescribed by this Law.
2. The licence for providing investment services shall be issued with no time-limits.

3. The licence or the rights provided for thereby may not be pledged, transferred or otherwise alienated.
4. The licence shall be issued or revoked by the decision of the Central Bank. The licence shall be revoked exclusively as prescribed by this Law. In case other provisions on revoking the licence are prescribed by other laws, the provisions of this Law shall apply.
5. The licence for provision of the investment services shall contain the full trade name and registration number of the investment company, type or types of investment services permitted by the licence, the date and number of the issuance of licence.
6. The unified form of the licence shall be prescribed by regulatory legal acts of the Central Bank.
7. The procedure for registration and licensing of the investment companies shall be prescribed exclusively by this Law and regulatory legal acts of the Central Bank. Where other provisions on licensing the investment companies are prescribed by other laws, the provisions of this Law shall apply.

Article 34. Scope of the licence

1. The licence shall be issued for providing one or more types of investment services.
2. The licence may not be issued for the provision of non-basic services.
3. The investment company may provide only the service (services) for which the licence was issued. The investment company shall be issued additional licence for the provision of additional investment services.
4. The investment company may provide all non-basic services, unless otherwise provided for by this Law.

Article 35. Provision of the investment services by banks, managers of the investment fund

(title supplemented by HO-271-N of 22 December 2010, amended by HO-134-N of 14 April 2011)

1. Banks, managers of the investment fund may provide investment services without holding a licence on provision of the investment services.
2. In case of provision of investment services, the bank shall be obliged to inform in advance the Central Bank about that as prescribed by regulatory legal acts of the Central Bank, at least 15 days prior to the beginning of the provision of those services.
3. The Central Bank shall have the right to prescribe by regulatory legal acts thereof additional requirements for the banks for the purpose of ensuring organisational and financial insulation of the provision of investment services in the structure thereof.
4. *(Part repealed by HO-134-N of 14 April 2011)*
5. Pursuant to the Law of the Republic of Armenia “On investment funds”, the manager of an investment fund must have a respective permission issued by the Central Bank for the provision of investment services and non-basic services.

(Article 35 supplemented by HO-271-N of 22 December 2010, amended by HO-134-N of 14 April 2011)

Article 36. Registration and licensing of the investment company

1. For the purpose of state registration and licensing of the investment company, the founders or authorised persons thereof shall submit the following documents to the Central Bank in the form and with the content prescribed by regulatory legal acts of the Central Bank:
 - (1) application for registration and licensing;
 - (2) the business plan of the investment company;
 - (3) the charter of the investment company in 6 copies as approved by the board of founders of the investment company;
 - (3.1) application for the registration of the trade name of the investment company, the requirements therefor, the list of the documents submitted therewith, as well as relations pertaining to the examination of the application and the registration of the trade name and the amendments thereto shall be regulated as jointly prescribed by the authorised body of the Central Bank and the Government of the Republic of Armenia;
 - (4) information on the shareholders (participators) of the investment company;

- (5) the decision of the board of founders of the investment company on the appointment of executive officers of the investment company;
- (6) information on executive officers of the investment company, notary certified samples of signatures of the executive officers, copies of certificates of their professional qualification;
- (7) documents prescribed by this Law and regulatory legal acts of the Central Bank adopted based on parts 3, 4 and 5 of Article 54 of this Law for getting prior permission for qualifying holding of the persons with qualifying holding in the company;
- (8) draft rules of the activities of the investment company;
- (9) the document verifying the crediting of the authorised capital of the investment company to the account opened in the Central Bank or in any other bank not affiliated with the investment company and operating in the territory of the Republic of Armenia;
- (10) the list of staff members carrying out activities related to the provision of investment services within the investment company or on its behalf and the copies of the documents verifying their professional qualification;
- (11) the statement on compliance of the activity area of the investment company with the criteria prescribed by the Central Bank;
- (12) the state duty payment receipt;
- (13) other documents prescribed by the regulatory legal acts of the Central Bank.

2. The Central Bank may require additional information and documents necessary for the estimation of authenticity of the documents and the information provided for by part 1 of this Article. The Central Bank may — by the regulatory legal acts thereof — prescribe exceptions for submission of certain documents and information provided for by part 1 of this Article, for the branches of foreign investment companies, non-resident qualified shareholders and executive officers, where the opportunity to submit such information or documents is restricted by the legislation of the given country or they do not apply to the given person.

3. For the purpose of obtaining a licence for provision of additional investment service, the operating investment company shall submit the following documents to the Central Bank in the form and with the content prescribed by regulatory legal acts of the Central Bank:

- (1) the application for licence for provision of additional investment services;

- (2) amendments to the business plan of the investment company;
- (3) amendments to the rules of activities of the investment company;
- (4) other documents prescribed by the regulatory legal acts of the Central Bank.

4. Where during the examination of the application, amendments have been made to the information required by the application and documents attached thereto, the applicant shall be obliged to provide the amended information, before the Central Bank takes a decision on registration and issuance of the licence or on rejecting the registration and issuance of the licence. In this case, the application shall be deemed submitted from the moment the Central Bank receives the amended information and documents.

(Article 36 supplemented by HO-145-N of 08 June 2009, amended by HO-151-N of 19 March 2012)

Article 37. Decision on registration and licensing

1. The Central Bank shall take a decision on the registration of the investment company and issuance of the licence, if the submitted information and documents are in conformity with this Law, other laws and legal acts, and there are no grounds prescribed by this Law for refusing the registration of the investment company and the issuance of the licence.
2. The Central Bank shall be obliged to give the registration certificate and the licence to the investment company within a period of five days from the moment of taking the decision on registration and issuance of the licence.
3. The Central Bank shall register and licence the investment company or reject the registration and licensing within a period of one month from the moment of submission of the application by the founders of the investment company. The Central Bank shall take a decision on issuance of the licence for provision of additional investment services within a period of 20 days upon receiving the application for the licence.
4. The Central Bank shall, within a period of five days after the adoption of a decision on registration of the investment company, notify thereof the state authorised body carrying out the registration of legal persons, for the latter to make a relevant record on the registration of the investment company.

5. The investment company shall acquire the status of a legal person from the moment of being registered at the Central Bank.
6. The Central Bank shall — within three working days following the day of taking the decision on issuing the licence or refusing the issuance of licence — grant the licence to the person that submitted the application.

Article 38. Grounds for rejecting the application for registration and licensing

The Central Bank shall reject the registration and licensing of the investment company or granting the licence for provision of additional investment services, where:

- (1) the submitted documents are not in conformity with this Law, the regulatory legal acts adopted based thereon, false or deficient documents have been submitted, or unreliable information has been reflected in the documents submitted;
- (2) the executive officers of the company do not meet the requirements prescribed by Article 58 of this Law;
- (3) the investment company does not meet the requirements for provision of investment services prescribed by this Law and other legal acts;
- (4) the charter of the investment company contradicts the law;
- (5) the Central Bank has rejected or rejects even one of the applications for obtaining prior consent for acquisition of qualifying holding in the investment company;
- (6) the submitted business plan does not comply with the requirements prescribed by this Law and the regulatory legal acts adopted by the Central Bank on the basis of Article 40 of this Law;
- (7) in the reasonable opinion of the Central Bank, the business plan is unrealistic or the investment company may not properly provide investment services by acting in compliance with the plan;
- (8) in the reasonable opinion of the Central Bank, the activities, financial position, negative reputation or absence of experience in the financial sphere of the founders of the investment company or persons affiliated therewith may endanger the interests of clients or may hinder

the proper provision of investment services by the investment company or carrying out proper control by the Central Bank;

(9) the minimum amount of the authorised capital defined by the Central Bank on the basis of Article 73 of this Law has not been paid;

(10) the investment company does not have necessary premises or technical equipment complying with the requirements prescribed by the regulatory legal acts of the Central Bank.

Article 39. State duty

For issuance of a licence for provision of investment services, a state duty shall be charged in the manner and amount prescribed by the Law of the Republic of Armenia “On state duty”.

Article 40. Business plan

1. The Business plan shall be drawn up for the upcoming three years and shall contain the information prescribed by the regulatory legal acts of the Central Bank.

2. In the course of its activities, the investment company shall, in the manner, form and time-limits prescribed by the regulatory legal acts of the Central Bank, submit to the Central Bank the report on the implementation of the business plan submitted during the registration and licensing processes.

3. The investment company shall be obliged, in the manner, form and time-limits prescribed by the regulatory legal acts of the Central Bank, to submit to the Central Bank the business plan for three years and amendments thereto.

Article 41. Revocation of the licence in cases of liquidation, reorganisation, bankruptcy of the company and in other cases prescribed by law

The Board of the Central Bank shall revoke the licence of the investment company, registration of the branch of a foreign investment company operating in the Republic of Armenia, not as a sanction, on the grounds of liquidation, reorganisation, bankruptcy and on other grounds prescribed by law.

Article 42. Revocation of the licence and legal consequences thereof

1. The licence may be revoked in whole or as per separate types of investment services. In case of revocation of the licence as per separate types of investment services, the investment company shall be deprived of the right to provide the given type of investment service, except for the transactions aimed at the fulfillment of obligations assumed thereby with regard to the provision of the given investment service, realisation of funds and final distribution thereof.
2. The licence shall be revoked, where:
 - (1) the investment company has not provided investment services for 12 consecutive months after obtaining the licence;
 - (2) when applying for the licence, the investment company has submitted to the Central Bank misleading or unreliable information or false documents;
 - (3) the investment company has published or submitted to the Central Bank misleading, unreliable information or false documents;
 - (4) the investment company or its executive officers have committed periodic (two and more) or material violations of the requirements of this Law, other laws, regulatory legal acts adopted based thereon, as well as internal legal acts of the investment company;
 - (5) the investment company failed to accomplish the assignments given by the Central Bank pursuant to this Law, within the defined time-limit or volume;
 - (6) prudential standards prescribed by this Law and regulatory legal acts adopted by the Central Bank based thereon has been violated in the amount prescribed by the regulatory legal acts of the Central Bank.
3. Registration of the branch of a foreign investment company established in the territory of the Republic of Armenia shall be revoked also in the case when the foreign investment company was deprived of the right to provide investment services in the country where it is registered or carries out its main activities.
4. The licence may be revoked in whole or as per separate types of investment services based on the application of the investment company, provided that the legitimate interests of the clients of the investment company are properly protected.

5. The Central Bank may reject the application for revoking the licence provided for by part 4 of this Article, if there are sufficient grounds for concluding that the revoking of the licence may harm the interests of investors and other clients.
6. The Central Bank shall, within a period of 30 days upon receiving the application provided for by part 4 of this Article, take a decision on revoking the licence in whole or as per separate types of investment service, or on rejecting the application.
7. Before taking the decision on revoking the licence based on part 2 of this Article, the Central Bank may instruct the investment company to eliminate within the defined period the violations considered a ground for revoking the licence.
8. Where the licence is revoked in whole, it should be returned to the Central Bank within a period of three days.
9. Starting from the day the decision on revoking the licence in whole enters into force, the investment company shall be deprived of the right to provide investment services, except for the transactions aimed at the fulfillment of obligations assumed thereby, realisation of funds and final distribution thereof. Starting from the day the decision on revoking the licence in whole enters into force, the investment company shall be subject to liquidation as prescribed by law.
10. The decision of the Central Bank on revoking the licence on the grounds prescribed by this Article shall be immediately published. The specified decision shall enter into force upon its publication, unless other date is prescribed by the decision.
11. The copy of the decision of the Board of the Central Bank on revoking the licence shall be provided to the investment company within a period of three days after adoption thereof. The appeal to the court against the decision of the Board of the Central Bank on revoking the licence shall not suspend the effect of that decision during the entire course of court examination of the case.

Article 43. Registration of a branch and representative office of the foreign investment company being established in the territory of the Republic of Armenia

1. Foreign investment companies may establish a branch in the territory of the Republic of Armenia by registering it in the Central Bank as prescribed by this Law and regulatory legal acts of the Central Bank.

2. To register a branch of the foreign investment company being established in the territory of the Republic of Armenia, the foreign investment company shall submit to the Central Bank the following information and documents, in the form and with the content prescribed by the regulatory legal acts of the Central Bank:

- (1) an application for registration of the branch;
- (2) decision of the respective management body of the foreign investment company regarding the establishment of a branch in the Republic of Armenia;
- (3) the charter of the branch approved by the respective management body in 6 copies;
- (4) rules of activities of the branch;
- (5) copies of the registration certificate, the charter or other founding documents and the licence for the provision of investment services in Armenian language and certified under the notarial procedure pursuant to the legislation of the country where the investment company is registered;
- (6) financial statements of the foreign investment company for the last three years, drawn up in accordance with international accounting standards, as well as independent audit opinions thereon;
- (7) a statement of information on persons with qualifying holding in the foreign investment company;
- (8) the business plan of the branch;
- (9) the decision of the competent body of the respective foreign state on permitting or not objecting the establishment of the branch in the Republic of Armenia, or other document, if such document is required by the legislation of the given state;
- (10) a statement of information granted by the competent body of the respective foreign state specifying that the foreign investment company has permission for providing investment services and provides investment services in compliance with the legislation of the given state;

- (11) the decision of the respective management body of the foreign investment company on appointing executive officers of a branch of the investment company;
- (12) a statement of information on the activities of the executive officers of foreign investment company's branch and samples of their authenticated signatures;
- (13) state duty payment receipt;
- (14) a statement on compliance of the premises of the branch of the foreign investment company with the criteria prescribed by regulatory legal acts of the Central Bank;
- (15) other documents prescribed by the regulatory legal acts of the Central Bank.

3. The Central Bank may — by the regulatory legal acts thereof — prescribe additional terms for the provision of investment services in the territory of the Republic of Armenia by the branches of foreign investment companies. Those terms shall be the same for all branches of all foreign investment companies operating in the territory of the Republic of Armenia.

4. A foreign investment company may establish a representative office in the territory of the Republic of Armenia by registering it in the Central Bank as prescribed by this Law and the regulatory legal acts of the Central Bank.

5. To register the representative office of a foreign investment company — being established in the territory of the Republic of Armenia, the foreign investment company shall submit the following documents to the Central Bank, in the form and with the content prescribed by the regulatory legal acts of the Central Bank:

- (1) an application for registration of the representative office;
- (2) the decision of the respective management body of the foreign investment company on establishing a representative office in the Republic of Armenia;
- (3) the charter of the representative office in 6 copies;
- (4) copies of the registration certificate, the charter or other founding documents and the licence for the provision of investment services in Armenian language and certified under the notarial procedure pursuant to the legislation of the country where the investment company is registered;

- (5) financial statements of the foreign investment company for the last three years, drawn up in accordance with international accounting standards, as well as independent audit conclusions thereon;
- (6) a statement of information on persons with qualifying holding in the foreign investment company;
- (7) the decision of the competent body of the respective foreign state on permitting or not objecting the establishment of the representative office in the Republic of Armenia, or other document;
- (8) a statement of information granted by the competent body of the respective foreign state specifying that the foreign investment company has permission for providing investment services and provides investment services in compliance with the legislation of the given state;
- (9) other documents prescribed by the regulatory legal acts of the Central Bank.

6. The Central Bank shall take a decision on registering the branch or representative office of the foreign investment company where the submitted documents and information comply with this Law, other laws and legal acts and there are no grounds prescribed by this Law for rejecting the registration of the branch or representative office of the foreign investment company.

7. The Central Bank shall be obliged to — within a period of five days upon taking a decision prescribed by part 6 of this Article — grant the registration certificate to the foreign investment company.

8. The Central Bank shall register the branch or representative office of the foreign investment company or reject the registration within a period of 30 days upon the submission of the application by a foreign investment company.

9. The Central Bank shall, within a period of five days after the adoption of a decision on the registration of the branch or the representative office of the foreign investment companies, notify thereof the state authorised body carrying out the registration of legal persons, for the latter to make a relevant record on the registration of the branch or the representative office of the foreign investment company.

10. The Central Bank may require additional information that is necessary for the estimation of authenticity of the information specified in parts 2 and 5 of this Article.

11. The Central Bank may — in cases prescribed by the regulatory legal acts thereof — define exceptions for the submission of certain documents specified in parts 2 and 5 of this Article, where the opportunity to submit such information or documents is restricted by the legislation of the given country or they do not apply to the given person.

Article 44. Grounds for rejecting the application for registration of a branch and representative office of the foreign investment company being established in the territory of the Republic of Armenia

1. The Central Bank may reject the registration of the branch of the foreign investment company in the territory of the Republic of Armenia, where:

(1) false or deficient documents have been submitted or the submitted documents contain unreliable information;

(2) the executive officers of a branch of the foreign investment company do not meet the requirements prescribed by Article 58 of this Law, the foreign investment company or the branch being established in the territory of the Republic of Armenia does not meet the requirements for provision of investment services prescribed by this Law and other legal acts, the charter of the branch of the foreign investment company contradicts the law;

(3) the rules of activities of a branch of the foreign investment company do not comply with the requirements prescribed by this Law and regulatory legal acts adopted by the Central Bank based on Article 59 of this Law;

(4) the branch of the foreign investment company does not have necessary premises or technical equipment complying with the requirements prescribed by the regulatory legal acts of the Central Bank;

(5) the submitted business plan does not comply with the requirements prescribed by this Law and the regulatory legal acts adopted by the Central Bank based thereon;

(6) in the reasonable opinion of the Central Bank, the business plan is unrealistic or a branch of the foreign investment company may not properly provide investment services by acting in compliance with the plan;

- (7) in the reasonable opinion of the Central Bank, the activities, financial position, negative reputation or absence of experience in the financial sphere of the qualified shareholders of the foreign investment company or persons affiliated with them may endanger the interests or rights of clients or may hinder the proper provision of investment services by the branch of the foreign investment company or carrying out proper control by the Central Bank;
- (8) the give state does not enable the Central Bank to audit or exercise control as prescribed by law over the branch to be established;
- (9) in the reasonable opinion of the Central Bank — the branch is planning to put into circulation the proceeds of crime.

2. The Central Bank may reject the registration of the representative office of the foreign investment company in the territory of the Republic of Armenia, where:

- (1) false or deficient documents have been submitted or the submitted documents contain unreliable information;
- (2) the Charter of the representative office of the foreign investment company contradicts the law;
- (3) in the reasonable opinion of the Central Bank — the representative office is planning to assist the circulation of the proceeds of crime;

Article 45. Branch and representative office of the investment company operating in the territory of the Republic of Armenia

1. The investment company operating in the territory of the Republic of Armenia may establish a branch and representative office in the territory of the Republic of Armenia as prescribed by this Law and other legal acts.

2. A branch of the investment company shall be a separated subdivision without the status of a legal person located outside the place of location of the investment company that operates within the scope of the powers delegated thereto by the investment company, and provides investment services on behalf of the investment company. The branch may provide only those investment services for provision of which the investment company was issued a licence.

3. A representative office of the investment company shall be a separated subdivision without the status of a legal person and located outside the place of location of the investment company, which represents the investment company, analyses the financial market, signs contracts on behalf of the investment company, performs other similar functions. The representative office shall not have the right to provide investment services.

4. The branches of the investment companies that operate in the territory of the Republic of Armenia — being established in the territory of the Republic of Armenia, shall be registered by the Central Bank by submitting the following documents in the form and with the content prescribed by the regulatory legal acts of the Central Bank:

- (1) petition of the investment company;
- (2) decision of the competent management body of the investment company or an excerpt from the minutes thereof on establishing a branch;
- (3) charter of the branch being established;
- (4) statement of information on activities of executive officers of the branch being established;
- (5) business plan of the branch being established;
- (6) statement on providing premises for the branch, as well as the compliance of technical equipment of the branch with the criteria prescribed by the regulatory legal acts of the Central Bank;
- (7) other documents prescribed by the regulatory legal acts of the Central Bank.

5. To register the representative office of the investment company that operates in the territory of the Republic of Armenia — being established in the territory of the Republic of Armenia, the investment company shall submit the following documents to the Central Bank in the form and with the content prescribed by the regulatory legal acts of the Central Bank:

- (1) petition of the investment company;
- (2) decision of the competent management body of the investment company or an excerpt from the minutes thereof on establishing a representative office;
- (3) charter of the representative office;
- (4) other documents prescribed by the regulatory legal acts of the Central Bank.

6. The Central Bank shall — within a period of 30 days upon submitting the petition and the required documents provided for by this Article — register the branch or the representative office and shall issue the registration certificate, and in case of rejecting the registration, it shall — within a period of five working days — inform the investment companies of the grounds for rejection.

7. The Central Bank shall, within a period of five days after the adoption of a decision on the registration of the branch or the representative office, notify thereof the state authorised body carrying out the registration of legal persons, for the latter to make a relevant record on the registration of the branch or the representative office.

8. The procedure for and conditions of termination, including temporary termination of the activities of a branch and of a representative office, shall be defined by the board of the Central Bank. The Central Bank may reject the termination or temporary termination of the activities of branches or of representative offices, if the termination of the activities of branches or of representative offices may endanger the interests of clients.

Article 46. Grounds for rejecting the registration of branch and representative office of the investment company that operates in the territory of the Republic of Armenia — being established in the territory of the Republic of Armenia

1. The Central Bank may reject the petition for the registration of the branch of the investment company — being established in the territory of the Republic of Armenia, where:

- (1) the submitted documents and information are deficient, unreliable or false;
- (2) premises and technical equipment of the branch of the investment company do not comply with the requirements prescribed by the regulatory legal acts of the Central Bank;
- (3) executive officers of the branch of the investment company do not meet the requirements prescribed by this Law;
- (4) the investment company has violated prudential standards during the year preceding the submission of the documents for branch registration to the Central Bank, or in the reasonable opinion of the Central Bank, the establishment of the branch will result in the deterioration of financial position of the investment company;

(5) the business plan of a branch does not comply with the requirements prescribed by this Law and regulatory legal acts adopted by the Central Bank based on Article 40 of this Law;

(6) in the reasonable opinion of the Central Bank, the business plan of the branch is unrealistic or the branch of the investment company may not properly provide investment services by acting in compliance with the plan.

2. The Central Bank may reject the petition for registration of the representative office of the investment company that operates in the territory of the Republic of Armenia — being established in the territory of the Republic of Armenia, where:

(1) the submitted documents and information are deficient, unreliable or false;

(2) in the reasonable opinion of the Central Bank, the establishment of the representative office will result in the deterioration of financial position of the investment company.

Article 47. Establishment of a branch or a representative office of the investment company operating in the territory of the Republic of Armenia outside the territory of the Republic of Armenia

1. The investment company operating in the territory of the Republic of Armenia must — while establishing branches and representative offices outside the territory of the Republic of Armenia — obtain the prior consent of the Central Bank by submitting the following documents in the form and with the content prescribed by the regulatory legal acts of the Central Bank:

(1) petition for obtaining the prior consent for establishing a branch or representative office outside the territory of the Republic of Armenia;

(2) business plan of the branch or representative office being established outside the territory of the Republic of Armenia;

(3) other documents prescribed by the regulatory legal acts of the Central Bank.

2. The Central Bank shall take a decision on granting prior consent to the establishment of the branch or representative office of the investment company outside the territory of the Republic of Armenia where the submitted documents and information comply with this Law, other laws and legal acts, they contain accurate and reliable information, as well as there are

no grounds prescribed by Article 48 of this Law to reject granting the consent to the establishment of the branch or representative office of the investment company outside the territory of the Republic of Armenia.

3. The Central Bank shall grant its consent to the establishment of a branch or representative office of the investment company outside the territory of the Republic of Armenia or reject the petition within a period of 30 days upon submitting it to the Central Bank.

4. The investment company shall — after the registration (licensing, accreditation) of branch or representative office in another country as prescribed by the legislation of the respective country — be obliged to register it in the Central Bank within a period of 10 days, by submitting a document certifying the fact of registration (licensing, accreditation).

5. The Central Bank shall, within a period of five days after the registration of the branch or representative office of the investment company outside the territory of the Republic of Armenia, notify thereof the state authorised body carrying out the registration of legal persons, for the latter to make a relevant record on the registration of the branch or the representative office of the investment company.

Article 48. Grounds to reject the granting of consent for establishment of a branch or representative office of the investment company operating in the territory of the Republic of Armenia outside the territory of the Republic of Armenia

The Central Bank may reject to grant consent for the establishment of a branch or a representative office of the investment company outside the territory of the Republic of Armenia, where:

- (1) false or deficient documents have been submitted or the submitted documents contain unreliable information;
- (2) in the reasonable opinion of the Central Bank, the establishment of the representative office will result in the deterioration of financial position of the investment company;
- (3) in case of establishing a branch or a representative office outside the territory of the Republic of Armenia, the competent body of the state where the investment company was registered — in the reasonable opinion of the Central Bank — does not exercise control over

activities of investment companies registered in the given country in due manner and in compliance with international standards, or the given state does not enable the Central Bank to audit or duly exercise control over the branch or the representative office to be established;

(4) in case of establishing a branch or representative office outside the territory of the Republic of Armenia, the investment company fails to justify the necessity of establishing a branch or representative office in the given country or — in the reasonable opinion of the Central Bank — the branch is planning to put into circulation the proceeds of crime or assist in the circulation thereof;

(5) the business plan of a branch does not comply with the requirements prescribed by this Law and the regulatory legal acts adopted by the Central Bank on the basis of Article 40 of this Law;

(6) in the reasonable opinion of the Central Bank, the business plan is unrealistic or the branch of the investment company may not properly provide investment services by acting in compliance with the plan;

(7) the investment company has violated even one of the prudential standards during the year preceding the submission to the Central Bank the documents on obtaining prior consent for establishing a branch or representative office, or in the reasonable opinion of the Central Bank, the establishment of the branch or representative office will result in the deterioration of financial position of the investment company;

Article 49. Provision of investment services in the Republic of Armenia by the person providing foreign investment services

A person providing foreign investment services may provide investment services in the territory of the Republic of Armenia exclusively through the establishment of subsidiary or branch in the territory of the Republic of Armenia.

Article 50. Requirement for professional qualification

1. Natural persons without professional qualification complying with part 2 of this Article, shall be prohibited to provide investment services in the name of or within the person providing investment services, or make an offer to provide such services, as well as hold the position of the executive director of the person providing investment services.

2. The procedure for qualification and criteria for professional compliance of executive officers of the person providing investment services (except for the executive officers of structural subdivisions), natural persons providing investment services in the name of or within the person providing investment services shall be defined by the regulatory legal acts of the Central Bank. When defining such criteria the Central Bank shall take into consideration the education (qualification), work experience and skills of the person.

3. The requirement prescribed by part 1 of this Article shall not extend to the executive directors of banks providing investment services. Only a person with professional qualification complying with regulatory legal acts of the Central Bank may hold a position of a manager of the subdivision responsible for provision of investment services by banks.

4. The professional qualification prescribed by this Article shall be granted for a period not less than one year.

(Article 50 amended by HO-134-N of 14 April 2011)

Article 51. Deprivation of the professional qualification

The Central Bank shall be entitled to deprive a person of professional qualification, where the person:

- (1) has intentionally violated laws and other legal acts;
- (2) has been deprived — by the regulated market operator — of the right to execute transactions in the name of or within the person providing investment services for violating or acting in violation of this Law, regulatory legal acts adopted based thereon and rules of the regulated market or Central Depository;
- (3) has carried out activities as a result of which the person providing investment services incurred or might have incurred considerable financial or other losses;
- (4) during term of office has carried out unsubstantiated activities and activities endangering the interests of investors, has hindered activities of the Central Bank, its employees with regard to the execution of control or has performed dishonest attitude towards official duties, including obligations assumed towards the person providing investment services and clients thereof;
- (5) has failed to fulfill the assignments of the Central Bank or ignored the warning of the Central Bank;

(6) does not meet the criteria for professional qualification defined by the Central Bank.

Article 52. Requirement to have qualified specialists

1. The person providing investment services shall be obliged to always have employees of the following professional qualifications prescribed by this Law:

(1) at least one employee to provide services provided for by points (1) and (2) of part 1 of Article 25 of this Law;

(2) at least one employee to provide services provided for by point (3) of part 1 of Article 25 of this Law;

(3) at least two employees to provide the service provided for by point (5) of part 1 of Article 25 of this Law;

(4) at least one employee to provide the service provided for by points (4) and (6) of part 1 of Article 25 of this Law;

(5) at least one employee to provide the service provided for by point (1) of Article 26 of this Law.

2. The same person may not simultaneously provide more than one of the investment services specified in part 1 of this Article, except for the services provided for by points (1) and (4) of part 1 of this Article.

Article 53. Activities within or on behalf of only one person providing investment services

1. The same person shall be prohibited to directly or indirectly provide investment services prescribed by points (1)-(5) of part 1 of Article 25 of this Law within or on behalf of a person providing more than one investment service.

2. Violation of the requirement prescribed by part 1 of this Article shall be a ground for deprivation of professional qualification.

CHAPTER 5

OWNERS, MANAGEMENT

Article 54. Prior consent for acquisition of a qualifying holding

1. The person (the person affiliated thereto), that intends to acquire a qualifying holding in an investment company or increase its shareholding so that its voting shareholding in the authorised capital of the investment company amounts to at least 20, 50 or 75 per cent, must obtain prior consent of the Board of the Central Bank.
2. If the person acquires a qualifying holding in an investment company or increases its voting shareholding, exceeding the limits specified in part 1 of this Article, due to any other event or transaction (including a transmission of shareholding by inheritance) of which the person was unaware or could not be aware of, the person shall be obligated to inform the Central Bank about the qualifying holding or its increase within 10 days upon learning about the acquisition or increase as prescribed by the regulatory legal acts of the Central Bank.
3. The person that intends to acquire a qualifying holding in an investment company shall submit to the Central Bank an application for prior consent to acquire a qualifying holding. The list of information and documents to be included in and attached to the application for the prior consent to acquire qualifying holding, as well as the form, manner and terms for their submission shall be defined by the regulatory legal acts of the Central Bank.
4. To obtain prior consent for the acquisition of a qualifying holding in an investment company, through the mediation of the investment company, the person shall also submit to the Central Bank a statement, indicating that through its shareholding no other person shall gain status of person with indirect qualifying holding in the investment company, otherwise that person shall be obligated to submit to the Central Bank documents and information on the persons acquiring indirect qualifying holding, prescribed by the regulatory legal acts of the Central Bank. To acquire the status of a person that holds an indirect qualifying holding, it is required to obtain prior consent of the Board of the Central Bank as prescribed by this Article.
5. In order to obtain prior consent for the acquisition of a qualifying holding, through mediation of the investment company the person shall also submit to the Central Bank sufficient and comprehensive grounds (documents, information etc.) disclosing legitimate source of funds used for the acquisition of a qualifying holding.

6. The Central Bank may require additional information and documents to verify the reliability of the information and documents provided for by parts 2 and 3 of this Article.

7. The person that obtains the consent prescribed by part 1 of this Article shall be obliged to notify the Central Bank about the alienation of the acquired stocks (shares) as prescribed by the regulatory legal acts of the Central Bank, if:

(1) due to the alienation of stocks (shares) the voting shareholding of the person in the investment company will become less than 10, 20, 50 or 75 per cent;

(2) due to the alienation of stocks (shares) the voting shareholding of the person in the investment company decreases by 10 and more per cent.

The requirement for the notification prescribed by this Part shall be effective also in the event that a person concludes a transaction, as a result of which the person ceases to control the investment company.

8. If along with the application for a licence for investment service provision, an application for consent for the acquisition of a qualifying holding has been submitted to the Central Bank, the Central Bank shall take a joint decision to issue a licence and granting consent for the acquisition of a qualifying holding.

9. Within 30 days after receiving the documents and information required by this Law and the regulatory legal acts of the Central Bank, the Central Bank shall take a decision to grant or reject granting prior consent for the acquisition of a qualifying holding.

10. By the decision to grant prior consent as prescribed by part 9 of this Article the Central Bank shall also define a period during which such consent shall be effective. This period may not exceed 6 months. The person shall be obliged to immediately notify the Central Bank about the acquisition of a qualifying holding, the increase of a shareholding or concluding a transaction on gaining supervision over the investment company within the specified period.

11. Natural persons that have permanent residence or operate on the offshore territories, as well as legal persons, persons without status of legal person or persons affiliated to the persons specified in this Part — established or registered on those territories, may acquire a shareholding (regardless of the size of the shareholding) in the authorised capital of the investment company due to one or several transactions exclusively as prescribed by this Chapter — upon prior consent of the Central Bank. The list of the offshore territories shall be defined by the Board of the Central Bank.

Legal persons established by a shareholding of persons or persons affiliated thereto prescribed by this Part may acquire a shareholding (regardless of its size) in the authorised capital of the investment company exclusively as prescribed by this Article, upon prior consent of the Central Bank.

Article 55. Rejecting prior consent for the acquisition of a qualifying holding

1. The board of the Central Bank may reject to grant consent for the acquisition of a qualifying holding in the investment company, if:

(1) the person that acquires a qualifying holding refuses to submit or does not submit within the prescribed period of time the documents and information prescribed by Article 54 of this Law;

(2) the documents and information submitted to the Central Bank do not meet the requirements prescribed by this Law and regulatory legal acts, or prove to be false, misleading or incomplete;

(3) the natural person that acquires a qualifying holding has been convicted for an intentionally committed crime or has an unexpired conviction;

(4) the person that acquires a qualifying holding cannot substantiate the legitimacy of the funds used for the acquisition of a shareholding;

(5) the person that acquires a qualifying holding has been declared as having no active legal capacity incapable or limited active legal capacity as prescribed by law;

(6) the person that acquires a qualifying holding has been deprived of the right to hold positions in financial, economic and legal fields by a criminal judgment entered into legal force — in case it is explicitly specified in the criminal judgment;

(7) the person that acquires a qualifying holding is declared bankrupt and has outstanding (unremitted) liabilities;

(8) such transaction is targeted, leads or may lead to the restriction of free competition in the provision of investment services;

(9) the person that acquires a qualifying holding or a person affiliated thereto committed such an act (action or omission) in the past, which by the opinion of the Board of the Central

Bank based on the guidelines prescribed by the regulatory legal acts of the Central Bank provide sufficient grounds to suspect that the actions of that person, as the one who has the voting right during the decision making of the highest management body of the investment company, may result in bankruptcy of the investment company or deterioration of its financial position, or undermine its reputation and business image;

(10) in the reasonable opinion of the Central Bank the activity of the person that acquires a qualifying holding or the person affiliated thereto or character of their relationship with the investment company may hinder the implementation of sufficient control by the Central Bank, or the possibility of Central Bank to obtain information about the given person is restricted by its national legislation, if the given person is a foreign person.

2. The decision of the Central Bank to reject granting consent to the acquisition of a qualifying holding must be substantiated.

3. Within seven days following the decision on rejection, the Central Bank shall be obliged to notify the person that has submitted application for prior consent to acquire a qualifying holding or its representative.

4. In case of receiving the notification specified in part 2 of Article 54, as well as in other cases provided for by the same Part, when it is the Central Bank that reveals the fact that a person has acquired a qualifying holding in the investment company, the Central Bank may recommend (and in the event of neglected recommendation, claim through the court procedure) that the person, through which and on whose behalf the qualifying holding is performed, alienate or otherwise terminate its qualifying holding in the investment company within a reasonable period of time.

Article 56. Termination of validity of prior consent for acquisition of a qualifying holding

1. The Board of the Central Bank may terminate validity of the prior consent on acquisition of a qualifying holding in the investment company, if any of the grounds specified in part 1 of Article 55 of this Law have occurred after the acquisition of a qualifying holding by the person as prescribed by this Law.

2. In cases prescribed by part 1 of this Article the Central Bank may recommend (and in the event of neglected recommendation, claim through the court procedure) that person alienates or otherwise terminates its shareholding in the investment company within reasonable period of time.

Article 57. Legal consequences of illegal acquisition of qualifying holding

1. Any transaction on acquisition of a qualifying holding in the investment company in violation of any requirements prescribed by this Law shall be void.

2. If the qualifying holding is acquired in violation of any requirements prescribed by this Law, the person with qualifying holding shall not exercise the rights to vote, to receive dividends, to be included in the board of the company without elections or to assign its representative to that board, vested in it by the virtue of shareholding, and the acquired stocks shall not be considered in the vote counting.

3. In cases prescribed by part 1 of this Article the Central Bank may recommend (and in the event of neglected recommendation, claim through the court procedure) that person alienates or otherwise terminates its shareholding in the investment company within reasonable period of time.

4. The requirements of this Article are mandatory for the investment company; the person that keeps the register of participators of the investment company, as well as for any person that organises execution of rights to vote vested in by the given securities.

Article 58. Requirements for executive officers

1. Executive officers of the investment company are the chairperson and the members of the board of directors (supervisory board), the head and the members of the executive body, the deputy executive director, the chief accountant and the deputy chief accountant, the head and members of the internal audit, as well as the heads of regional and structural subdivisions.

2. A person shall not act as an executive officer of an investment company, if:

(1) the person has been declared as having no active legal capacity or limited active capacity as prescribed by law;

- (2) the person that does not have the relevant professional qualification in accordance with part 2 of Article 50 of this Law;
 - (3) the person that is deprived of the right to hold a position in financial, economic and legal fields by criminal judgment — in cases when it is explicitly stated in the criminal judgment;
 - (4) the person that has been declared bankrupt or has outstanding (unremitted) liabilities;
 - (5) the person that has previously committed an act (action or omission), which in the opinion of the Central Bank, substantiated by the guidelines prescribed by the regulatory legal acts of the Central Bank, provides grounds to assume that the given person as an executive officer of the investment company is not capable to duly manage the corresponding area of the investment company's activity or its actions may result in bankruptcy of the investment company or deterioration of its financial position or harm its reputation and business image.
3. During the performance of their duties, executive officers and employees of the investment company shall be obliged to act in good faith — exclusively in the interest of the investment company and its clients.

Article 59. Rules of activities of the persons providing investment services

1. The person providing investment services shall be obliged to approve internal rules and rules of procedure that regulate the activities of executive officers and employees (hereinafter referred to as “rules of activities”).
2. Rules of activities shall include:
 - (1) measures to prevent conflict of interests between the person providing investment services and the executive officers and employees of the person providing investment services;
 - (2) document flow and data exchange procedures related to the provision of investment and non-basic services by the person providing investment services;
 - (3) rules for the provision of investment and non-basic services;
 - (4) rules of activities of internal audit;
 - (5) other procedures prescribed by the regulatory legal acts of the Central Bank.

3. The Central Bank may, by its regulatory legal acts, define detailed requirements for the content of rules of activities of the person providing investment services.
4. The person providing investment services shall be obliged to notify the Central Bank, in manner and time-limits prescribed by the regulatory legal acts of the Central Bank, about any amendments made in the rules of activities.

Article 60. Internal audit

1. The investment company shall be obliged to have a corresponding system of internal control that will include all levels of management and activity of the investment company.
2. The investment company shall be obliged to have an independent division of internal audit (hereinafter referred to as “internal audit”), to assign corresponding independent employees or to delegate the functions of the internal audit to independent auditors, by contract. The head and members of internal audit (hereinafter referred to as “internal auditors”) shall meet the requirements for the executive officers of the investment company prescribed by this Law. A member of management body of the investment company, another executive officer and employee, as well as any person affiliated with the investment company, its executive officers or other employees may not be an internal auditor.
3. Internal auditors shall be appointed by the competent management body of the investment company. The competent management body shall be the general meeting of participators (shareholders) of the investment company, and in case the company has formed a board of directors, then the board of directors. The subdivision of internal audit may include one or more persons.
4. Internal auditor of the investment company shall be independent in exercising its competencies and shall report to the competent management body of the investment company.
5. Only a person that has the professional qualification prescribed by this Law may be an internal auditor of the investment company.
6. In compliance with the internal procedures approved by the company, the internal auditor shall:
 - (1) supervise current activity and risks of the investment company;

- (2) check the compliance of the investment company's activity with the requirements prescribed by law, the regulatory legal acts based thereon, regulated market rules, rules of activities of the company and other legal acts;
 - (3) provide opinions and submit proposals on issues presented by the competent management body and other issues.
7. Executive body of the investment company shall be obliged to ensure adequate condition for effective implementation of the competencies of the internal auditor.
 8. Internal auditor shall be obliged to notify the executive body of the investment company, the board of directors, the corresponding regulated market operator and the Central Bank about any violation of the requirements prescribed the by law, other legal acts, as well as about any substantial damage caused to the interests of clients, within 5 working days after its disclosure.
 9. The investment company shall not establish a revision commission.

Article 61. Investment and non-basic service provision restrictions

(title as edited by HO-271-N of 22 December 2010)

1. In order to restrain risks of activities of persons providing investment services, the Central Bank may provide for restrictions on provision of some types of investment services rendered by persons providing investment services or prescribed a special procedure for their provision.
2. Investment fund managers may only provide investment and non-basic services provided for by the Law of the Republic of Armenia "On investment funds".

(Article 61 edited by HO-271-N of 22 December 2010)

CHAPTER 6

***REQUIREMENTS FOR ACTIVITIES OF PERSONS
PROVIDING INVESTMENT SERVICES***

Article 62. Scope of this Chapter

This Chapter prescribes the obligations of the persons providing investment services, requirements for contracts of investment services provision, information provided to clients, record-keeping and protection of client's funds.

Article 63. Obligations of the persons providing investment services

1. The person providing investment services shall be obliged to:
 - (1) provide investment and non-basic services on a proper professional level, accurately and attentively, acting in good faith, in clients' interests (fiduciary duty);
 - (2) abstain from concluding transactions that may cause conflict of interests between itself and its clients — when it is impossible, give preference to the interests of clients;
 - (3) while providing investment and non-basic services, take adequate measures to prevent a conflict of interests between itself and its clients or between its different clients, and when it is impossible, take measures to reduce them;
 - (4) carry out clients' assignment on the best possible conditions, taking into account the volume, price and due date of the transaction as well as characteristics arising from other essential conditions of the assignments;
 - (5) introduce effective organisational and administrative measures to prevent a conflict of interests related to its drafting and dissemination of investment proposals.
2. Before making an offer for sales of and/or before selling the securities, provided for by point 6 of part 2 of Article 6 of this Law, the person providing investment services shall be obliged to publish information on the given securities and the issuer, the minimum requirements for the content and publication procedure of which shall be prescribed by the regulatory legal acts of the Central Bank.
3. It is prohibited for the persons providing investment services to make an offer for sales of and/or sell the securities, provided for by point 6 of part 2 of Article 6 of this Law, if they were aware or might have been aware of the registration, listing, suspension or termination of sales permission of those securities.

Article 64. Investment service provision contract

1. Investments services may be provided only on the basis of a written contract concluded between the person providing investment services and client. Non-observance of the written form of the contract shall invalidate it.

The written form of the contract shall also be deemed observed when investment services are provided in accordance with the rules of public offering.

2. Part 1 of this Article shall not restrict oral concluding of transactions aimed at the execution of the written investment service provision contract by the agreement of the parties.

3. The person providing investment services shall be obliged to inform the clients, in the manner and form prescribed by the regulatory legal acts of the Central Bank, about the acquisition, record-keeping, alienation of securities and the peculiarities of exercising the rights vested in them and the risks related thereto. Such information may be provided to the clients in a standard form.

4. The investment service provision contract may be unilaterally terminated by a the client provided that the person providing investment services be informed about it at least 10 days in advance. Within 3 working days after the termination of the contract, the person providing investment services shall be obliged to transfer to the client or its representative all securities and cash funds owed by the client. The contract may not limit the right prescribed by this Part.

5. By its regulatory legal acts the Central Bank shall have the right to define mandatory requirements for the investment service provision contracts, which shall be obligatory for the person providing investment services to include in the contract.

Article 65. Information provided to the clients

1. Upon the request of the client the person providing investment services shall be obliged to provide to the client any information which is subject to publication as prescribed by this Law and other legal acts.

2. Upon the request of the client the person providing investment services shall be obliged to provide to the client information on its qualifying shareholders, executive officers, as well as the scope of powers and responsibilities of the managers.

3. The Central Bank shall have the right to prescribe by its regulatory legal acts detailed requirements for the composition, form, content and the provision procedure of information, reports and other similar documents to be provided to clients by the persons providing investment services.

Article 66. Requirements for provision of investment services

1. While providing investment services, the person providing investment services shall be obliged to:

(1) require from its client information on its knowledge and experience in the field of investment activity, as well as its investment goals;

(2) provide to the client information on risks related to the anticipated transactions, taking into consideration the knowledge and experience of the client in the field of investment activity, as well as the price and volume of securities subject to the transaction;

(3) inform the client about the effective investor protection mechanisms;

(4) at any time, upon request of the client, but not less than once in a quarter, provide the client with a report on the cost, structure of its block of securities and on transactions concluded by resources of the client within the framework of management of the block of securities, as well as on other circumstances related to the investment service provision.

2. By its regulatory legal acts the Central Bank may prescribe detailed requirements for the form and content of reports prescribed by part 1 of this Article and other similar documents.

3. By its regulatory legal acts the Central Bank may prescribe exceptions from the requirements prescribed by part 1 of this Article for the persons providing investment services prescribed by points 1 and 2 of part 1 of Article 25 of this Law.

Article 67. Record-keeping and protection of clients funds

1. The person providing investment services shall be obliged to carry out a separate record-keeping for each client, as well as for its own and its clients' funds.

2. The person providing investment services shall be obliged to take measures to ensure protection of the client rights and funds, as well as ensure record-keeping and investment of

the funds of clients in accordance with the conditions of the contract concluded between the person providing investment services and the client.

3. The person providing investment services may not use its client's funds to its benefit, unless otherwise prescribed by the written contract concluded between the person providing investment services and the client.

4. The person providing investment services shall have the right to pledge funds of the client in its own name, solely based on the written agreement concluded with the client.

5. The person providing investment services, that keeps records of client's funds on the nominee account or on an account for securities or bank account opened in the name of the person providing investment services, shall be obliged to keep a separate account for each client.

6. Securities and cash funds of the client that are managed by the person providing investment services or are accounted in its name, as well as the profit resulting from their use, cannot be confiscated against the debts of the person providing investment services. In the event of bankruptcy or insolvency of the person providing investment services, any securities assigned to its management, cash funds and profits generated in the result of their management shall be segregated from its property and returned to the client upon first request.

7. By its regulatory legal acts the Central Bank may prescribe necessary mandatory rules for the purpose of ensuring the protection of clients' rights prescribed by this Article.

Article 68. Prohibited actions

1. The person providing investment services shall be prohibited to:

(1) advise the client to conclude a transaction, knowing beforehand that concluding of the given transaction does not proceed from interests of the client or that the transaction, within the meaning of this Law, is being concluded for the purpose of price manipulations;

(2) conclude at its expense transactions with securities at such price that is the most favorable in comparison with the price mentioned in the client's assignment for execution of transactions with the same securities, before the implementation of all such assignments given by the client on the aforementioned securities, as well as execute transactions at its expense, if the person providing investment services is aware that the client plans to give an assignment

to execute similar transactions, or if they may in any other manner cause damage to the investor.

2. The person providing investment services, its executive officers and employees, other persons carrying out assignments on transactions in securities, persons implementing analyses on the securities market or preparing and/or disseminating investment offers shall be prohibited to commit market abuse, within the meaning of this Law.

Article 69. Obligation to maintain register

1. While providing investment services, the person providing investment services shall be obliged to maintain a register on received and carried out assignments, as prescribed by the regulatory legal acts of the Central Bank.

2. The information registered in accordance with part 1 of this Article shall be kept for at least seven years.

Article 70. Detailed criteria

The Central Bank may prescribe detailed criteria for meeting the requirements prescribed by Articles 63, 66 and 68 of this Law for the activities of persons providing investment services.

CHAPTER 7

PRUDENTIAL STANDARDS OF INVESTMENT COMPANIES' ACTIVITIES

Article 71. Main prudential standards prescribed for investment companies

1. The Central Bank may prescribe the following main prudential standards for the activities of investment companies:

- (1) the minimum amount of authorised capital and total capital;
- (2) total capital adequacy standards;
- (3) liquidity standards;

(4) the maximum risk per borrower, all borrowers;

(5) the maximum risk per creditor, all creditors;

(6) the foreign currency disposition standard.

2. The main prudential standards shall be binding and must be the same for all investment companies operating in the territory of the Republic of Armenia holding a licence for the provision of the same investment services, except for the prudential standard for the total capital, provided for by point 1 of part 1 of this Article, to be prescribed for newly established investment companies and other cases prescribed by law.

3. Thresholds for main prudential standards, calculation procedure and composition of elements involved in calculation shall be defined by the regulatory legal acts of the Central Bank.

4. For more than one type of investment companies the more rigorous of the threshold for standard established for each of them is applied.

Article 72. Total capital

1. Total capital of an investment company is the sum of its core (primary) and additional (secondary) capitals.

2. The elements of the core (primary) capital shall be the authorised capital, retained earnings and other elements prescribed by the Central Bank.

3. The elements of the additional (secondary) capital shall be defined by the regulatory legal acts of the Central Bank. For the purpose of calculating the standards, the Central Bank may limit the share of the additional capital in the calculation of the total capital.

Article 73. Minimum amount of authorised capital and total capital

1. The Central Bank shall define the minimum amounts of authorised capital and total capital of the investment company, in the form of certain sums. The Central Bank may review the minimum amounts of authorised capital or the total capital of the investment company, but not more often than once a year.

2. While reviewing the minimum amounts of the authorised capital or the total capital of the investment company, the Central Bank shall also define the period, during which the investment companies shall be obliged to replenish minimum amounts of the authorised capital or the total capital reviewed, moreover, the given period may not be less than one year.

3. The Central Bank may define other minimum amount of total capital of newly established investment companies — in term of a certain sum. The Central Bank may review the minimum amount of total capital for newly established investment companies, but not more often than once a year. The standard for the minimum amount of the total capital for newly established investment companies to be defined by the Central Bank shall enter into force from the moment of adoption.

Article 74. Capital adequacy standards

Total capital adequacy standards of investment companies are:

- (1) the margin ratio of the amounts of the total capital and risk-weighted assets;
- (2) the margin ratio of the amounts core capital and risk-weighted assets.

Article 75. Liquidity standards

Total liquidity standards of investment companies are:

- (1) the margin ratio of the amounts of highly liquid assets and total assets of the investment company (total liquidity);
- (2) the margin ratio of the amounts highly liquid assets and the current liabilities of the investment company (current liquidity).

Article 76. Maximum amount(s) of the risk per borrower, all borrowers

1. The maximum amount of the risk per borrower shall be defined as the maximum ratio of the amount of borrowings provided by the investment company to one borrower and affiliated persons thereof, accounts receivable existing in respect of the investment company on any

ground, guarantees for the liabilities thereof, other liabilities prescribed by the regulatory legal acts of the Central Bank — to the total capital of the investment company.

2. The maximum amount of risk for all borrowers shall be defined according to part 1 of this Article.

Article 77. The maximum amount(s) of risk per creditor, all creditors

1. The maximum amount of risk per creditor shall be defined as the maximum ratio of the amount of borrowings received by the investment company from one creditor and affiliated persons thereof, accounts payable of investment company towards the creditor that occurred on any ground, guarantees received against its liabilities, other liabilities prescribed by the regulatory legal acts of the Central Bank — to the total capital of the investment company.

2. The maximum amount of risk for all borrowers shall be prescribed according to part 1 of this Article.

Article 78. Foreign currency disposition standard

The coefficient of the foreign currency position of branches of investment companies and foreign investment companies shall be prescribed according to the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.

Article 79. Legal entry into force of prudential standards

1. Where the Central Bank tightens the main prudential standards, the prudential standards shall enter into force after six months from the moment of adoption, unless otherwise prescribed by this Law.

2. Where the Central Bank reduces the main prudential standards, those standards shall enter into force from the day defined by the Central Bank.

Article 80. Special prudential standards

1. For the purpose of ensuring the stability of the securities market, the Central Bank may, in emergency cases, establish special prudential standards for validity duration of up to six months.
2. The Central Bank shall put the special prudential standards into effect in such time-limits that would allow the investment companies to bring their activity in line with the requirements of the established standards.
3. An emergency case is the occurrence of massive market shock, crisis, or an obvious threat thereto manifested in:
 - (1) the overall fluctuations of usual prices of securities and abrupt and considerable fluctuations which endanger the smooth operation of the market, or an obvious threat thereto;
 - (2) a significant failure of the safe operation of the payment and settlement system of securities or an obvious threat thereto.

CHAPTER 8

ACCOUNTING AND REPORTS

Article 81. Organisation of accounting

(Article 81 repealed by HO-232-N of 26 December 2008)

Article 82. Reports

1. The person providing investment services shall be obliged to submit to the Central Bank reports in the manner, form and time-limits prescribed by the regulatory legal acts of the Central Bank.
2. The Central Bank shall have the right to define separate forms and a separate submission procedure of reports, depending on the type of investment services provided by the person.

Article 83. Publication of reports

1. The investment companies shall be obliged to publish the audit opinion, annual financial statement within a period of four month after the end of fiscal year and their quarterly financial statements before the 15th day of the month following each quarter. Within the meaning of this part publication means the disclosure of information on internet website or in press.
2. The Central Bank shall have the right to require from investment companies to publish also other information, except for the commercial or other type of information constituting secret or work related information on their internet websites, in printed press or other mass media in the form, frequency and manner prescribed by the regulatory legal acts of the Central Bank.
3. Reports subject to publication shall be available at the place of location of the investment company, its branches and representative offices.

Article 84. Annual audit of financial and economic activity

1. Financial and economic activity of the investment company shall be audited every year by a person carrying out audit. The Central Bank may by its regulatory legal acts define criteria for the person carrying out audit of financial and economic activity of the investment company, in case of meeting of which the person carrying out audit may provide audit services to the investment company.
2. An audit of the investment company, at any time, may be requested the board at the expense of the funds of the investment company.
3. In addition to the obligation to draft an audit opinion, it must be envisaged in the contract to be concluded with the person carrying out audit, drafting of an audit report (a letter to the management of the investment company).
4. In the contract to be concluded with the person carrying out audit, the investment company must also provide for the submission of the opinion of person carrying out audit:
 - (1) on the compliance with the requirements of prudential standards of the investment company prescribed by this Law and the regulatory legal acts of the Central Bank;

(2) on the compliance with the requirements, prescribed by this Law and the regulatory legal acts of the Central Bank, for the internal audit activity and the internal control system of the investment company;

(3) on completeness and reliability of reports submitted to the Central Bank.

5. The Central Bank may oblige the investment company to request a person carrying out audit within four months and to publish financial statements of the investment company and the opinion of the person carrying out audit in a press with print run of at least 3 000 copies in the territory of the Republic.

6. The opinion and report of the person carrying out audit shall be submitted by the investment company to the Central Bank before May 1 of the year following the given fiscal year.

7. Upon the request of the Central Bank the person carrying out audit shall be obliged to submit to the Central Bank the necessary documents on the audit of the investment company, even if they contain work related information, commercial, banking or other secret. In case of a failure to fulfill the obligations prescribed by this Part, the person carrying out audit shall be held liable as prescribed by law.

8. The Central Bank and the public administration body authorized by the Government may, by joint regulatory legal acts, define more detailed requirements on the form and content of the audit opinion for the person carrying out audit.

9. The Central Bank may require the person carrying out audit to provide additional explanations and clarifications on its opinion and report.

10. If the audit opinion and/or report have been composed in violation of the requirements prescribed by this Law, other laws and legal acts, or the audit was not carried out as prescribed by laws and other legal acts, the Central Bank need not accept it and require a new audit by another person carrying audit at the expense of the investment company.

CHAPTER 9

REORGANISATION AND LIQUIDATION OF AN INVESTMENT COMPANY

Article 85. Reorganisation of an investment company

1. The investment company may be reorganised exclusively through a merger with another investment company or conversion.
2. The reorganisation of an investment company shall be carried out as prescribed by the Civil Code of the Republic of Armenia, this Law and other laws.
3. The investment company may merge only with one investment company.

Article 86. Procedure for merger

1. In case of a merger of one or several investment companies with another investment company, the merging investment companies shall conclude a merger agreement, upon receiving the prior consent of the Central Bank.
2. In order to obtain consent for concluding a merger agreement, the investment company (companies) shall, in the manner, form and time-limits prescribed by the Central Bank, submit to the Central Bank:
 - (1) an application for obtaining prior consent for the merger;
 - (2) a decision on the merger of the respective management bodies of a reorganising investment companies;
 - (3) essential conditions of the transaction;
 - (4) business plan for the upcoming three years of the surviving company;
 - (5) information on persons that acquire qualifying holding in the surviving company. Moreover, along with the application for obtaining prior consent for merger, the surviving company shall submit the application for obtaining prior consent for the acquisition of a qualifying holding in its authorised capital of the person or affiliated persons thereto, that acquire a qualifying holding, as prescribed by this Law and the regulatory legal acts of the Central Bank, as well as other required documents;
 - (6) other information prescribed by the regulatory legal acts of the Central Bank.

3. Within one month after receiving the necessary documents and information referred to in part 2 of this Article, the Board of the Central Bank, shall take a decision on giving or refusing to give the prior consent, provided for by part 1 of this Article.

4. The Board of the Central Bank may refuse to give consent to the conclusion of the merger agreement, were:

(1) the merger of the investment company (companies) or the submitted documents are inconsistent with laws or other legal acts;

(2) the required documents have not been submitted in due manner, the submitted documents or information are deficient, unreliable or false;

(3) in the reasonable opinion of the Central Bank, the financial position of the surviving investment company will be significantly threatened, or it will violate the requirements prescribed by this Law or the regulatory legal acts of the Central Bank;

(4) in the reasonable opinion of the Central Bank, as a result of merger, the investment company, or the person with a qualifying holding in the investment company or persons affiliated thereto shall gain dominant or monopoly position on the securities market;

(5) in the reasonable opinion of the Central Bank, due to the merger, the interests of clients of any of the parties shall be threatened.

5. Within one month upon obtaining the prior consent of the Central Bank, merging investment companies shall submit to the Board of the Central Bank a merger agreement attached to the application for approval, as well as other documents and information required by the regulatory legal acts of the Central Bank. The Board of the Central Bank shall approve the merger agreement within 15 days upon receiving it, if the agreement is in compliance with the conditions of the prior consent obtained.

Article 87. Legal consequences of merger

1. Within the time-limits prescribed by the merger agreement the investment companies that have taken a decision on merger, shall take measures provided for by the merger agreement, confirm the act on transfer and submit it to the Central Bank for registration along with the charter or the amendments and supplements to the charter of the surviving investment company as prescribed by this Law and the regulatory legal acts of the Central Bank.

2. From the moment of the registration by the Central Bank the charter of the surviving investment company or the amendments and supplements thereto, a record on termination of the activity of the merged investment company (companies) shall be made in the register of the investment companies. From the moment of such record, the surviving investment company shall be considered reorganised.

3. Within a period of one month from obtaining prior consent of the Central Bank on merger, the surviving company shall submit to the Central Bank an application for licence renewal.

Article 88. Merger notification

Within three days after obtaining prior consent of the Central Bank for a merger, the merging investment companies shall publish an announcement about that on their Internet sites and in a daily newspaper with a print run of at least 3 000 copies in the territory of the Republic of Armenia as prescribed by the Central Bank.

Article 89. Grounds for liquidation of investment company

The investment company shall be liquidated:

- (1) by the decision of the general meeting of participators of the investment company (voluntary liquidation);
- (2) in case of revocation of the licence in whole;
- (3) in case of bankruptcy of the investment company.

Article 90. Liquidation of the investment company by the decision of the general meeting of participators (voluntary liquidation)

1. The general meeting of participators shall have the right to take a decision on the liquidation of the investment company, if the investment company has fulfilled all obligations arising from the contracts of the investment service provision, and if the investment company has sufficient funds to meet the claims of all other creditors.

2. In case of liquidation of the investment company by the decision of the general meeting, the general meeting shall take a decision to apply to the Central Bank for prior consent. Based on that decision the investment company shall submit to the Central Bank an application for obtaining prior consent on liquidation by attaching the documents and information justifying the liquidation, the list of which shall be defined by the regulatory legal acts of the Central Bank.
3. The Board of the Central Bank shall, within a period of 90 days consider the application for obtaining prior consent on liquidation of the investment company and take a decision to approve or reject the application.
4. The Board of the Central Bank may reject the application for obtaining prior consent on liquidation of the investment company, if in the reasonable opinion of the Board of the Central Bank the liquidation may threaten the rights and legitimate interests of the clients of the investment company or the investment company will not be able to duly fulfill its obligations.
5. In case the Board of the Central Bank grants prior consent on liquidation to the investment company, the investment company shall take measures to duly fulfill all its obligations arising from contracts of investment services provision concluded with its clients.
6. Only after the duly fulfillment of all its obligations arising from contracts of investment services provision concluded with clients, the general meeting may take a decision on liquidation.
7. After taking a decision on liquidation, within a period of three days the investment company shall submit to the Central Bank an application for the permission for liquidation, by attaching the documents and information justifying the liquidation, the list of which shall be defined by the regulatory legal acts of the Central Bank.
8. Within a period of 30 days the Board of the Central Bank shall examine the investment company's application for obtaining the permission for liquidation and take a decision to approve or reject the application.
9. The Board of the Central Bank shall have the right to reject the application for obtaining the permission for liquidation, if there are obligations arising from the investment service provision, or the investment company will not be capable to settle the claims of its other creditors.

10. In case of granting permission for liquidation, the Board of the Central Bank shall also take a decision to declare the licence for the provision investment services revoked in whole.

Article 91. Liquidation committee of the investment company

1. A liquidation committee of the investment company shall be established within a period of five days after taking by the Central Bank a decision on granting permission for the liquidation of the investment company.

2. A liquidation committee is established for the purpose to liquidate the investment company, to sell its property (funds) and satisfy the legitimate claims of creditors.

3. The liquidation committee shall consist of at least three members. Only the persons who have obtained the professional qualification prescribed by this Law may become a chairperson and a member of the liquidation committee.

4. Before the formation of the liquidation committee, its powers shall be exercised by the executive body of the given investment company, unless otherwise prescribed by the charter of the investment company.

5. From the moment of the establishment of the liquidation committee, all managerial powers of the investment company to be liquidated shall be transferred to the liquidation committee.

6. Within a period of 5 days after the moment of the establishment of the liquidation committee, the liquidation committee shall make an announcement in a daily newspaper with a print run of at least 3 000 copies operating in the territory of the Republic of Armenia and shall notify the Central Bank about the liquidation of the investment company and the manner and time-limits for making claims by creditors, which cannot be less than 60 days.

7. Where a liquidation committee is not established, the liquidation committee of the investment company shall be established by the decision of the Board of the Central Bank.

Article 92. Procedure for liquidation of investment company

1. The management bodies of the investment company shall be obliged to hand over to the liquidation committee the seal, letterheads, documents, material and other valuables of the

investment company within a period of three days upon the establishment of the liquidation committee.

2. Within a period of three days upon the establishment of the liquidation committee, the chairperson of the liquidation committee shall apply to the Central Bank to add the words “investment company under liquidation” in the trade name of the investment company liquidated. Within a period of three days upon receiving the application, the Central Bank shall make a change in the trade name of the investment company being liquidated by adding the words “investment company under liquidation”.

3. The liquidation committee, within a period of 15 days after making a change in the trade name of the investment company being liquidated as prescribed by part 2 of this Article, shall be obliged to change the seal, letterheads of the investment company being liquidated by adding the words “investment company under liquidation”.

4. Before starting to satisfy the creditors’ claims the liquidation committee shall:

(1) take inventory and evaluate the assets and liabilities of the investment company being liquidated;

(2) take necessary measures for identifying all creditors of the investment company and collecting the accounts receivable of the investment company;

(3) take measures for realising the assets of the investment company being liquidated in the most profitable way;

(4) take measures to ensure the performance of obligations in relation to the investment company being liquidated;

(5) determine the procedure for the distribution of the assets, remaining after the performance of obligations of the investment company among the participators.

5. The liquidation committee shall, within a period of 7 days after the end of the time-limit for making claims by the creditors, draw up, confirm and publish in a daily newspaper with a print run of at least 3 000 copies in the territory of the republic the interim liquidation balance sheet which shall contain information on:

(1) the composition of the property of the investment company being liquidated;

(2) the list of creditors' claims, including the total amount of claims reflected in the balance sheet of the investment company or made against the investment company, the amount due to each creditor, the order for claim satisfaction prescribed by this Law, as well as a separate list of claims rejected thereby;

(3) on the results of the discussion of claims made by the creditors;

(4) other information prescribed by the regulatory legal acts of the Central Bank.

6. The liquidation committee shall be obliged to submit to the Central Bank one copy of the newspaper that has published the interim liquidation balance sheet on the day of publication thereof. The Central Bank shall have the right to oblige the liquidation committee to publish the interim liquidation balance in a daily newspaper with a print run of at least 3 000 copies in the territory of the republic.

7. The liquidation committee shall satisfy the creditors' claims in the order prescribed by Article 93 of this Law, in accordance with the interim liquidation balance sheet, starting from the day of its publication.

(Article 92 amended by HO-145-N of 8 June 2009, by HO-72-N of 19 March 2012)

Article 93. Order of satisfaction of claims

1. Liabilities backed by collateral shall be satisfied out of order, from the amount received from the realisation of the collateral securing the fulfillment of the given liability. If the value of the liability exceeds the value of realisation of the collateral securing the given liability, the part of the obligation not backed by collateral shall be satisfied along with the liabilities towards other creditors.

2. The liabilities of the investment company shall be paid at the expense of liquidation assets in the following order:

(1) first — the necessary and justified expenses, including the salaries of the chairperson and members of the committee and other equated payments, for exercising the powers prescribed by this Law by the liquidation committee;

(2) second — the claims arising from the investment services provision contracts and contracts for provision of non-basic services;

(3) third — the claims that were not included in the first, second, fourth, fifth and sixth priority orders;

(4) fourth — the liabilities of the investment company towards the state and community budgets;

(5) fifth — the claims arising from subordinated borrowings;

(6) sixth — the claims of the investment company participators.

3. From the number of creditors of the investment company, the claims of which should be satisfied in the second, third and fifth priority order of the satisfaction order, prescribed by part 2 of this Article, exclusion shall be made for the participators of the investment company, persons affiliated to the participators of the investment company and investment company, the liabilities of the investment company towards which shall be satisfied in the sixth priority order.

4. Creditors of the same priority order shall have equal rights to satisfaction of their claims. The claims of the creditors of the same priority order shall be satisfied only after the full satisfaction of claims of the previous priority order.

5. Where the liquidation committee rejects the creditor's claims or avoids considering them, the creditor, prior to the confirmation of the liquidity balance sheet of the investment company, shall have the right to appeal the actions of the liquidation committee. Moreover, if the claim of the creditor is subject to satisfaction in the priority order in relation to which the liquidation committee carries out satisfaction of claims at that moment, the court may suspend the satisfaction of claims in the given priority order by the liquidation committee until the adoption of a decision.

6. Where the creditor have made a claim after the expiry of the time-limit for making claims by creditors prescribed by this Law, its claim shall be satisfied at the expense of those liquidation assets which will remain after the satisfaction of claims of creditors made on time.

7. Where the creditor that have made a claim and have been registered by the liquidation committee fail to appear by the last day of the time-limit for satisfaction of claims of the respective priority order announced by the liquidation committee through daily newspapers with print run of at least 3 000 copies in the territory of the republic in order to receive what they have claimed, the funds or property to be allocated to those creditors shall be transferred to a notary deposit or shall be put into custody as prescribed by law.

8. Before starting the process of satisfaction of claims of each priority order, the liquidation committee shall announce the information on the place, procedure and time-limits for satisfaction of claims of the respective priority order through daily newspaper with a print run of at least 3 000 copies in the territory of the republic. The main information relating to the place, procedure and time-limits for satisfaction of claims, as well as any changes thereof shall have legal force from the day following their publication in a daily newspaper with a print run of at least 3 000 copies in the territory of the republic.

9. The time-limits for the satisfaction of claims included in the second priority order may not be less than 21 days. The time-limit prescribed for satisfaction of claims shall not be subject to renewal for the reason of missing it on any ground.

10. The claims rejected by the liquidation committee, where the creditor has not bring an action in court, as well as the claims rejected by a civil judgment of the court, shall be considered remitted.

(Article 93 edited, supplemented and amended by HO-59-N of 28 February 2011)

Article 94. Control over liquidation committee and reports

1. The Central Bank may carry out an inspection in the investment company undergoing liquidation as prescribed by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia” for the purpose of a carrying out control over the liquidation process of the investment company.

2. The liquidation committee shall be obliged to submit reports to the Central Bank in the manner, form, frequency and time-limits prescribed by the regulatory legal acts of the Central Bank.

3. The liquidation committee shall be obliged to periodically, but not less than once in a month, publish information on its activities in a daily newspaper with a print run of at least 3 000 copies in the territory of the republic, in the manner and form prescribed by the regulatory legal acts of the Central Bank.

4. The Central Bank shall have the right to request any information from the liquidation committee about its activities.

Article 95. Confirmation of liquidation balance sheet Termination of activities of the liquidation committee

1. After completing settlements with the creditors, the liquidation committee shall draw up a liquidation balance sheet and submit it to the Central Bank, within a period of three days after being confirmed by the general meeting of the participators of the investment company being liquidated.
2. The Central Bank shall take a decision on confirming or refusing to confirm the liquidation balance sheet within a period of ten days by indicating the grounds for the refusal. The Central Bank shall refuse to confirm of the liquidation balance sheet if the liquidation committee has violated the requirements of this Law.
3. Where the Central Bank does not approve the liquidation balance sheet, the liquidation committee shall eliminate the grounds for the refusal of the Central Bank to confirm the liquidation balance sheet within a period of ten days and after the confirmation of the liquidation balance sheet by the general meeting of participators of the investment company being liquidated, submit a new application for the confirmation to the Central Bank. The Central Bank shall consider that application as prescribed by part 2 of this Article.
4. Within a period of three days after the Central Bank has taken a decision on confirming the liquidation balance sheet, the Central Bank shall make a record in the investment company register on revoking the registration of the investment company being liquidated, after which the investment company shall be deemed liquidated and the activities thereof — terminated. The Central Bank shall notify thereon the body carrying out state registration of legal persons.
5. Within a period of three days after the Central Bank has taken a decision on confirming the liquidation balance sheet, the liquidation committee shall publish information on liquidation of the investment company in the form and manner prescribed by the regulatory legal acts of the Central Bank, after which the liquidation committee shall be released from the obligations with respect to the liquidation of the investment company.

Article 96. Remuneration of a member of liquidation committee

1. The member of a liquidation committee shall receive remuneration at the expense of the property of the investment company being liquidated.

2. The Central Bank may by its regulatory legal acts the define limits of the remuneration of a member of the liquidation committee.

CHAPTER 10

WORK RELATED INFORMATION: CENTRAL BANK COOPERATION AND INFORMATION COLLECTION

Article 97. Work related information

1. Within the meaning of this Law the work related information (hereinafter referred to as “the information”) shall include any information on the client’s accounts that have become known to the person providing investment services (including the Central depository) in the course of servicing the client, information on the operations, executed upon the assignment or to the benefit of the client, as well as commercial or work related secret, information on the any activity plan or on the design, invention, industrial design or utility model of the client and any information thereof, which the client intended to keep secret, and the person providing investment services was or should have been aware of such intention.
2. The information related to the client, provided to the Central Bank in regard with carrying out control over the person providing investment services prescribed by part 1 of this Article shall be considered as work-related information.

Article 98. Disclosure of work-related information

1. Any person, state body or official shall be prohibited to disclose any work related information, which it was confided in or which became known thereto in the course of its service or job or provided to as prescribed by this Law, except for cases provided for by part 2 of this Article. The person providing investment services, its executive officer or officer shall be obliged to reject any motion or request to provide work related information, if it is not submitted in accordance with the provisions of this Law.

Disclosure of work related information shall be considered the publication of that information (or any medium thereof) in verbal or written form, through the mass media or otherwise,

making such information available to a third person or spreading it, any direct or indirect provision of any opportunity to any third person to obtain such information (authorizing, not hindering or making possible the disclosure of such information by the breach of the procedure for keeping such information).

2. The following shall not be considered a disclosure of work related information and shall not be prohibited by part 1 of this Article:

(1) communication or provision of work related information by the person providing given investment services to any persons or organisations that render legal, accounting and other advisory or representative services, or perform certain works for the person providing investment services, if it is necessary in order to render the services or to perform the works, and if such persons or organisations have provided a written obligation to keep such information and to abstain from its disclosure;

(2) disclosure of information related only to the client of the person providing investment services, if such disclosure was made through the written permission or through a verbal permission thereof granted in the court;

(3) provision of work related information to the Central Bank in the course of carrying out control over the activities of the person providing investment services. The Central Bank shall in the course of carrying out control over the persons providing investment services have the right to receive and become familiarized with the information related to the clients of the persons providing investment services, if that information is necessary for the evaluation of the loan and other investments, other assets, or other purposes of supervision, prescribed by this Law;

(4) provision of work related information in accordance with the requirements prescribed by the Civil Procedure Code of the Republic of Armenia and the Criminal Procedure Code of the Republic of Armenia;

(5) provision of information, included in the register of the nominal securities holders, to the issuer in cases prescribed by law, other legal acts or persons offering transfer of securities as prescribed by this Law;

(6) provision of information on the opened security accounts of a client and the holders of stocks of a joint-stock company to the tax authorities in the manner and content prescribed jointly by the Central Bank and the tax authorities based on the Law of the Republic of

Armenia “On Taxes” by the Central Depository and the persons entitled to keep a register of the security holders (nominal holders);

(7) provision of information on performed transactions in securities to the tax authorities by the Central Depository based on the court decision adopted as prescribed only by the Civil Procedure Code of the Republic of Armenia and the Criminal Procedure Code of the Republic of Armenia;

(8) exchange of the disclosed information on the securities issued by the investment fund or its participator and the fund thereof during the management of the investment fund or the custody of the assets thereof between the given investment fund, the manager and the depository, except for the cases prescribed but the Law of the Republic of Armenia “On funded pension”;

(9) provision of information or documents obtained during the audit by the person carrying out audit, to the Central Bank in cases prescribed by law.

(10) provision of work related information to the foreign competent authorities in the manner provided by law and international agreement, memorandum of understanding.

(Article 98 amended, supplemented by HO-102-N of 24 June 2010, supplemented by HO-271-N of 22 December 2010)

Article 99. Duty to keep work related information

1. The persons providing investment services shall be obliged to keep work related information in accordance with part 2 and 3 of this Article.

2. The executive officers, officers, former executive officers and officers of the persons providing investment services, as well as the persons and organisations that are rendering or have rendered services or are performing or have performed works for the person providing investment services, shall be prohibited to disclose work related information confided to or known by them in the course of their service or work, as well as to use such information to the benefit of their or any third person’s (or persons’) interests or to provide a direct or indirect opportunity to the third person(s) to use such information (authorizing, not hindering or making possible the disclosure of such information by the breach of the procedure of keeping such information).

3. The persons providing investment services shall be obliged to undertake such technical measures and define such organisational rules that are necessary to ensure the proper keeping of work related information.

Article 100. Provision of work related information

1. The provision of work related information shall be the verbal or written disclosure of such information to state bodies, officials and citizens in cases and on grounds prescribed by this Law.

2. A person (other than the person providing investment services), that has been confided in or aware of any work related information in the course of its service or work, shall have no right to provide such information to any other persons. The work related information about the clients of the persons providing investment services that the Central Bank has obtained in the course of carrying out control over the person providing investment services may be provided only in accordance with part 1 of this Article.

3. Provision of work related information to the foreign country competent authorities by the Central Bank shall be done for the purposes and in the manner provided by the Law.

Article 101. Provision of work related information on civil and criminal cases

1. The persons providing investment services shall provide work related information required for civil cases only based on the court decision taken as prescribed by the Civil Procedure Code of the Republic of Armenia and that shall specify the person and the information relating to him or her subject to provision.

2. Provision of work related information on criminal cases shall be regulated by the Criminal Procedure Code of the Republic of Armenia.

3. It is prohibited to provide any work related information, based on the decision prescribed by part 1 of this Article, about other persons not specified in that decision.

Article 102. Provision of work related information to the heirs (legal successors) of the clients

Provision of work related information by the person providing investment services to the heirs (legal successors) of the client shall be performed as prescribed by the Civil Code of the Republic of Armenia.

Article 102.1 International cooperation of the Central Bank and cooperation with persons

1. Central Bank cooperates with foreign country competent authorities for the implementation of its objectives in the field of securities market and its functions provided by law, as well as with international organizations within the framework of international agreements, memoranda of understanding and, in the case of absence thereof, according to accepted international practice.
2. Central Bank exchanges, on its initiative or upon request, information (including documents) including information constituting secrecy (except for state and official secret as provided by the RA Law on State and official secret) with foreign country competent authority which, based on commitments under international agreements or memoranda of understanding, shall ensure equivalent privacy of information and shall use such information for the purpose of regulating and supervising securities market, combating securities market abuse and international cooperation in the field of protection of interests of investors.
3. Central Bank can disclose the fact of acquisition of inquiries constituting secrecy from foreign country competent authorities, as well as the fact of acquisition and content of information:
 - 1) For the purposes envisaged in point 2 of this Article, or
 - 2) Upon consent of the requesting foreign country competent authority for the purpose of providing reply to the request.
4. Central Bank may provide to the foreign country competent authorities information constituting secret according to the law (except for state and official secret under the Law of the Republic of Armenia on State and official secret) provided that secrecy requirements envisaged by the legislation of the Republic of Armenia are applied, if such requirements are stricter than those provided by foreign country laws and legal acts.
5. Central Bank shall refuse providing information to the foreign country competent authority if:
 - 1) that can adversely affect sovereignty, security and public order of the Republic of Armenia,
 - 2) such information is considered to be a state or official secret,
 - 3) that will lead to the violation of requirements provided by Armenian legislation,
 - 4) in the justified opinion of the Central Bank, the information is not intended to be used for the purposes provided in part 2 of this Article,
 - 5) criminal proceedings are initiated in the Republic of Armenia under the same circumstances against the person indicated in the request or the same person has

been convicted for the same crime pursuant to the law of the Republic of Armenia unless requesting foreign country competent authority is convinced that requested information is required to impose sanctions other than are applied according to the RA law.

6. In case of refusal to provide information, the Central Bank shall notify in written form requesting authority and submit grounds for refusal.
7. For the purpose of exchanging information the Central Bank may sign cooperation or other agreements with foreign country competent authorities.
8. For the purpose of preventing securities market abuse or investigation, as well as in cases envisaged by international agreement or memorandum when there is a need of exchange of information (documents, and (or) copies of documents) the Central Bank cooperates with individuals and legal entities which shall provide necessary information and documents upon Central bank's written request.

SECTION 4

REGULATED MARKET

CHAPTER 11

PERMISSION TO CARRY OUT ACTIVITIES

Article 103. The activities licence

1. The regulated market (hereinafter also referred to as “the market”) operator (hereinafter in this Section referred to as “the operator”) shall be considered a joint-stock company licensed to act as the regulated market operator (hereinafter in this Section referred to as “the licence”) as prescribed by this Law.
2. It shall be prohibited to organise trading in securities without the licence issued as prescribed by this Law. The persons providing investment services shall be prohibited to perform transactions in any securities in the territory of the Republic of Armenia using any market resources if the organiser of the given market does not have the licence prescribed by part 1 of this Article.
3. The licence shall be granted or revoked upon the decision of the Board of the Central Bank. The licence shall be revoked exclusively as prescribed by this Law. Where other

provisions on revoking a licence are prescribed by other laws, provisions of this Law shall apply.

4. Each regulated market may have only one operator.

5. The operator shall have the right to organise public trading in foreign currency in accordance with law, the respective regulatory legal acts, adopted in accordance therewith, and the requirements defined by the market rules. In such case, the operator shall have the right to perform determination and offset (clearing) of mutual obligations (claims) arising from the transactions concluded in the course of public trading in foreign currency.

6. The operator shall in cases and procedure prescribed by this Law, the regulatory legal acts of the Central Bank establish a guarantee fund for the purpose of reduction of risks arising in the course of trading in foreign currency. The Central Bank by its regulatory legal acts shall have the right to define the size, structure and terms for the formation and usage of the guarantee fund.

7. The Central Bank shall have the right to permit by its regulatory legal acts the operator to perform such types of additional activities, which are closely related to the activities provided for by part 1 of this Article, by setting additional requirements for them, if necessary.

8. The operator is prohibited to perform any activity that is not related to market organisation or any other activity that is related to market organisation, but, in the reasonable opinion of the Central Bank, may hinder normal functioning of the market, unless otherwise prescribed by the regulatory legal acts adopted in accordance with part 7 of this Article.

9. The person (or group of persons) not holding a licence prescribed by part 1 of this Article is prohibited to use in its name or in its promotional materials the following phrases “regulated securities market”, “stock exchange”, declensions, translations or associations thereof.

10. The provisions of this Section shall not apply to the Central Bank, if the latter performs the functions of organising trading in securities issued by the Republic of Armenia or the Central Bank.

Article 104. Registration and licensing of the operator

1. For the purpose of state registration and licensing of the operator the founders thereof, as prescribed by the regulatory legal acts of the Central Bank, shall submit to the Central Bank the following:

- (1) an application for registration and licensing;
- (2) the business plan of the operator;
- (3) the Charter of the operator approved by the founders' meeting of the operator — in 6 copies;
- (3.1) an application for the registration of the trade name of the operator, the requirements to which, the list of the documents submitted along with it, as well as the relationships related to the consideration of the application and the trade name and the registration of the amendments thereto shall be regulated as prescribed jointly by the Central Bank and the authorised body of the Government of the Republic of Armenia;
- (4) information on shareholders (participators) of the operator;
- (5) decision of the founders' meeting of the operator on the assignment of executive officers of the operator;
- (6) information on the executive officers of the operator, samples of signatures of the executive managers notary ratified, copies of their professional qualification certificates;
- (7) documents prescribed by this Law and the regulatory legal acts of the Central Bank adopted based thereon to obtain prior consent for the qualifying holding of the persons with qualifying holding in the operator;
- (8) drafts of market rules;
- (9) document verifying the payment of the authorised capital of the operator to the account opened in the Central Bank or any other bank of the Republic of Armenia;
- (10) a contract concluded with the Central Depository for ensuring the fulfillment of obligations resulting from the transactions concluded on the given market;
- (11) prior agreements of trade participation concluded with at least five persons providing investment services;
- (12) state duty payment receipt;

(13) other documents prescribed by the regulatory legal acts of the Central Bank.

2. The Central Bank may request additional information and documents necessary for the evaluation of the authenticity of documents and information provided for by part 1 of this Article. The Central Bank may by its regulatory legal acts define exceptions for the submission of documents and information provided for by part 1 of this Article, for non-resident qualifying shareholders and executive officers, if the possibility of submission of such documents and information is restricted by the legislation of the given country or does not apply to the given person.

3. If during the consideration of the application changes occur in information required by the submitted application and attached documents, the applicant shall be obliged to submit the amended information prior to the adoption of a decision by the Central Bank to register and grant a licence or to reject the registration and granting a licence. In such cases, the application shall be considered submitted from the moment of receiving the amended information and documents by the Central Bank.

(Article 104 supplemented by HO-145-N of 8 June 2009, amended by HO-151-N of 19 March 2012)

Article 105. Decision on registration and licensing

1. The Central Bank shall take a decision to register and issue a licence to the operator, if the submitted documents and information are in accordance with this Law, other laws and legal acts, and there are no grounds prescribed by this Law for the rejection of the registration and granting a licence to the operator.

2. The Central Bank shall be obliged to give the registration certificate and the licence to the operator within a period of five days from the moment of taking the decision on registration and issuance of the licence.

3. The Central Bank shall register and license the operator or reject registration and licensing within a period of two months from the moment of receiving the application.

4. Simultaneously with the adoption of the decision on registration and licensing the Central Bank shall register the market rules as prescribed by this Law.

5. The Central Bank shall, within a period of five days after the adoption of a decision on registration of the operator, notify thereof the state authorized body carrying out the registration of legal persons, for the latter to make a relevant record on the registration of the operator.

6. The operator shall acquire the status of a legal person from the moment of being registered at the Central Bank.

Article 106. Grounds for rejecting the application for registration and licensing

The Central Bank may reject registration and licensing of the operator, where:

- (1) the applicant has submitted false or deficient documents or unreliable information has been reflected in the documents submitted;
- (2) the executive officers of the operator do not meet the requirements prescribed by this Law and the regulatory legal acts of the Central Bank adopted based on the Article 114 of this Law;
- (3) the operator does not meet the requirements of market organisation prescribed by this Law and the regulatory legal acts of the Central Bank;
- (4) the Charter of the operator contradicts the law;
- (5) market rules contradict this Law and other legal acts adopted based thereon, or the provisions of market rules are not accurate and sufficiently clear, as a result of which the normal functioning of the market or the interests of the investors may be endangered;
- (6) the Central Bank has rejected or rejects even one of the applications for obtaining prior consent for acquisition of qualifying holding in the operator;
- (7) the submitted business plan does not meet the requirements prescribed by this Law and the regulatory legal acts of the Central Bank adopted on the basis of Article 108 of this Law;
- (8) in the reasonable opinion of the Central Bank, the business plan of the operator is unrealistic, or the operator may not ensure the normal functioning of the market by acting in compliance with the plan;
- (9) in the reasonable opinion of the Central Bank, the activities of founders of the operator or persons affiliated thereto, their financial position, poor reputation or absence of experience

in the financial sphere may endanger the interests of the investors or may hinder the normal organisation of the market by the operator or carrying out proper control by the Central Bank;

(10) the minimum amount of the authorised capital prescribed by the Central Bank was not paid.

Article 107. State duty

For issuance of a licence provided for by part 1 of Article 103, a state duty shall be charged in the manner and amount prescribed by the Law of the Republic of Armenia “On state duty”.

Article 108. Business plan of operator

1. The business plan shall be developed for the upcoming three years and shall contain detailed description of the commercial, information and other systems to be introduced by the operator, organisational structure of the applicant, informational technologies and other technical resources applied by the applicant and its economic indicators, and other information prescribed by the regulatory legal acts of the Central Bank.

2. In the course of its activities, the operator shall, in the manner, form and time-limits prescribed by the regulatory legal acts of the Central Bank, submit to the Central Bank a report on the implementation of the business plan submitted during the registration and licensing processes.

3. The operator shall be obliged, in the manner, form and time-limits prescribed by the regulatory legal acts of the Central Bank, to submit to the Central Bank the business plan for three years and amendments thereto.

Article 109. Revocation of the licence in cases of liquidation, reorganisation, bankruptcy of the operator and in other cases prescribed by law

The Board of the Central Bank shall revoke the licence, not as a sanction, on the grounds of liquidation, reorganisation or bankruptcy of the operator and on other grounds prescribed by law.

Article 110. Revocation of the licence and legal consequence thereof

1. The licence may be revoked, were:

- (1) the operator fails to perform activities on market organisation for 12 months continuously after obtaining the licence;
- (2) grounds prescribed by Article 106 of this Law have been emerged;
- (3) when applying for the licence the operator has submitted to the Central Bank misleading or unreliable information or false documents;
- (4) the operator has published or submitted to the Central Bank misleading, unreliable information or false documents;
- (5) the operator or its executive officers have committed periodic (two and more) or material violations of the requirements this Law, other laws and regulatory legal acts adopted based thereon, as well as market rules;
- (6) the operator failed to accomplish the assignments given by the Central Bank pursuant to this Law in prescribed time-limit and volume;
- (7) the thresholds of the authorised capital or the total capital prescribed by this Law and the regulatory legal acts of the Central Bank has been violated in the amount prescribed by the regulatory legal acts of the Central Bank.

2. Where the grounds prescribed by point 2 of part 1 of this Article have emerged, the Central Bank may assign the operator to eliminate, within a certain time-limit, the grounds for revoking the licence.

3. The licence may be revoked based on the application of the operator, unless otherwise prescribed by this Law.

4. The Board of the Central Bank may reject the voluntary termination of the operator's licence or not declare the licence revoked, where:

- (1) termination of the licence shall deprive the securities market of the only vitally important service;
- (2) termination of the licence may lead to a massive market shock, crisis, major breakdowns of the regular functioning of the market or to a real threat thereof.

5. The Central Bank shall, within 30 days after receiving the application of the operator provided for by part 3 of this Article, take a decision on revoking the licence or on rejecting the application.
6. Where the licence is revoked, it should be returned to the Central Bank within a period of three days.
7. Starting from the day the decision on declaring the licence revoked enters into force, the operator shall be deprived of right to organise the market and shall be subject to liquidation as prescribed by law.
8. The decision of the Board of the Central Bank on revoking the licence on the grounds prescribed by this Article shall be immediately published. The specified decision shall enter into force from the moment of its publication, unless other date is prescribed by the decision.
9. The copy of the decision of the Board of the Central Bank on revoking the licence shall be provided to the operator within a period of three days after adoption thereof. The appeal to the court against the decision of the Board of the Central Bank on revoking the licence shall not suspend the effect of that decision during the entire course of court examination of the case.

Article 111. Operational risk management

1. Information and other systems that are used by the operator to execute transactions and register respective information thereon should be reliable and reduce operational risks for the market and market participants to the maximum possible extent.
2. The Central Bank shall have the right to define by its regulatory legal acts minimum technical requirements and reliability criteria for systems specified in part 1 of this Article.
3. The operator shall be obliged to take sufficient measures of internal control in order to manage operational and management risks.

Article 112. Authorised capital and total capital of the operator

1. The minimum amount and the calculation procedure of the authorised capital and the total capital of the operator shall be defined by the regulatory legal acts of the Central Bank.

2. The total capital of the operator is a sum of its core (primary) capital and its additional (secondary) capital.
3. The elements of the core (primary) capital shall be the authorised capital, the retained earnings and other elements prescribed by the Central Bank.
4. The elements of the additional (secondary) capital shall be defined by the regulatory legal acts of the Central Bank. For the purpose of calculating the standards, the Central Bank may limit the share of additional capital in the calculation of total capital.

Article 113. Qualifying holding

With regards to obtaining qualifying holding in the operator the provisions of Articles 54-57 of this Law shall be applied.

CHAPTER 12

SELF-REGULATION AND OPERATOR MANAGEMENT

Article 114. Operator management

1. The operator shall be obliged to form a supervisory board (a board of directors), the exclusive competence of which shall be approving market rules and amendments and/or supplements thereof. The procedure of the formation and functioning of the supervisory board shall be prescribed by the charter of the operator.
2. The member of the operator's executive body, as well as any official or employee of the operator (except for the members or the chairperson of the supervisory board) shall not have the right to be an executive officer, an official, an employee or a participator of any person providing investment services.
3. A member of a supervisory board may not act at the same time as a member of the operator's executive body. The persons specified below shall not become members of the executive body or the supervisory board of the operator, executive officer of the control service, chairperson of the disciplinary committee or executive officers of other similar bodies (hereinafter also referred to as "the executive officer of the operator"):

- (1) the person has been declared having no active legal capacity or limited active capacity as prescribed by law;
- (2) the person that does not have the relevant professional qualification in accordance with part 2 of Article 50 of this Law;
- (3) the person that is deprived of the right to hold positions in financial, economic and legal fields by a criminal judgment — in cases when it is explicitly stated in the criminal judgment;
- (4) the person that has been declared bankrupt and has outstanding (unremitted) liabilities;
- (5) the person that has previously committed an act which in the opinion of the Central Bank substantiated by the guidelines prescribed by the regulatory legal acts of the Central Bank, provides grounds to assume that the given person as an executive officer of the operator, is not capable to duly manage the corresponding area of the operator's activity, or its actions may result in the bankruptcy of the operator or deterioration of its financial position or harm its reputation and business image.

4. The operator shall be obliged to develop activities of the operator and its executive bodies and market participants, as well as develop a service controlling the trading on the market, the procedure for formation and competencies of which shall be defined by market rules. The member and the employee of the control service shall have relevant professional qualification in accordance with part 2 of Article 50 of this Law.

5. The Law of the Republic of Armenia “On joint-stock companies” shall apply to the operator, unless otherwise prescribed by this Law.

Article 115. Market rules

1. The operator shall define market rules to ensure the normal and lawful functioning of the market.

2. Market rules shall include at least the following:

- (1) organisational structure of the market (description of markets, sub-markets or platforms to be organised), as well as the organisational structure of the operator insofar as it is not prescribed by the charter of the operator;

- (2) conditions, procedure and time-limits for admission to trading in securities on the market, suspending and terminating the admission to trading;
- (3) trading procedure;
- (4) procedure and conditions for submitting information to the operator;
- (5) procedure and conditions for granting, suspending and terminating the permission for market participants (members) to participate in trading;
- (6) procedure for disclosure, registration and exchange of information on securities prices, transactions concluded and other information related to securities trading;
- (7) rights and responsibilities of reporting issuers and market participants towards each other, other market participants and the operator;
- (8) rights and responsibilities of the persons, authorized to take decisions on admission to trading in securities on the market, on suspending or terminating the permission, rights and responsibilities of management bodies of the operator or members of that body, as well as the procedure and conditions for election, assignment to or dismissal from a position thereof;
- (9) responsibility for violation of market rules prescribed by the operator;
- (10) procedure for settlement of the disputes on securities transactions;
- (11) tariffs, including payments for participation in trading on the market and for admission to trading in securities;
- (12) rules of ethics and conduct;
- (13) provisions regulating establishment and usage of the guarantee fund, if such fund is established.

3. Market rules must define standard terms for contracts authorizing participation in trading on the market, as well as for contracts to be concluded with the issuers, the securities of which must be admitted to trading on the market.

4. A contract concluded between the operator and the market participant or the issuer on payments for participation in the market, admission to trading in securities of the issuer, concluding transactions in securities on the market or other services shall not be considered to be a part of market rules.

5. Prior to approving the market rules the operator shall be obliged to provide the interested parties with the opportunity to present suggestions, comments and arguments as regards to the rules.

Article 116. Registration of market rules

1. Market rules approved by the supervisory board, as well as the amendments and supplements thereof (hereinafter also referred to as “the market rules”) must be submitted for registration by the Central Bank.

2. For the purpose of registration of market rules the operator shall submit to the Central Bank a petition (application) the form of which is prescribed by the Central Bank. Attached to the motion the drafts of the proposed rules shall also be submitted, as well as the substantiation for their implementation.

3. The Central Bank may with the purpose of evaluating the accuracy and authenticity of the documents specified in part 2 of this Article request from the operator additional information and documents. The operator shall be obliged within 5 working days from the moment of receiving such a request to submit the requested information and documents in a written form.

4. The Central Bank shall take a decision to register or reject the registration of market rules within 45 days from their submission to the Central Bank.

5. The Central Bank may reject registration of the rules, if the operator has submitted misleading, incomplete, contradictory information attached to the motion, or the proposed rules contradict this Law or legal acts adopted thereon, or in the reasonable opinion of the Central Bank, the proposed rules endanger the legitimate interests of the investors or those persons, to which these rules apply.

6. The Central Bank shall have the right to order, by its decision, the operator to adopt certain rule (rules) or take certain decision within the scope of its competence or take other action in the manner and time-limits prescribed by the Central Bank, if in the reasonable opinion of the Central Bank the operator fails to fulfill the functions or meet the requirements prescribed by its rules or ensure observance of the requirements defined by its rules, or if such rules or actions are necessary for protection of the investors.

7. Market rules approved by the supervisory board of the operator shall enter into force from the day of registration by the Central Bank. Rules which tighten the current regime shall enter into force after 6 months from the date of registration, except for emergency cases defined in Article 80 of this Law.

Within 3 working days after registration of market rules by the Central Bank the operator shall be obliged to publish them on its web-site. The operator may publish the rules only after their registration by the Central Bank.

CHAPTER 13

ORGANISATION OF THE MARKET

Article 117. The general responsibilities of the operator

1. The operator shall be obliged to adopt and apply such rules which will ensure transparent and effective functioning of the market.
2. The functioning of the market shall be considered effective and transparent within the meaning of this Section, where:
 - (1) making offers and effecting transactions by market participants shall be organised in a way that information thereabout immediately becomes available to the participants and the offers and transactions are made and effected in compliance with the prescribed requirements;
 - (2) all market participants shall receive information on issuers and securities trading at the same time and equally and that information is available to the public.

Article 118. Equality of participants

1. The person providing investment services shall have the right to become a market participant, if the person complies with requirements prescribed by this Law, legal acts adopted on the basis thereof and the rules of the given market. The operator shall have the right to prescribe by its charter and the rules of the market that only market participants may participate in the trading on the market.

2. The issuer or the person asking for the admission of the securities to trading on the market may apply for the admission of the securities to trading on the market, if the given securities, the issuer and the trading in the securities comply with the requirements prescribed by this Law, legal acts adopted on the basis thereof and the rules of the given market.
3. The operator shall authorise trading in the given securities or shall admit persons to trading only where the issuer of the given securities and the person applying for participation in the market comply with the requirements prescribed by the rules of the market and pay for services provided by the operator.
4. The fees prescribed by part 3 of this Article shall be equal for all market participants and all issuers of the securities traded on the market or their groups.

Article 119. The requirement for publication of the trade prospectus in case of admission of securities to trading on the market

1. Admission of securities to trading on a regulated market without publication of a trade prospectus complying with the requirements of this Law shall be prohibited.
2. Provisions for registration and publication of the prospectus and supplements thereof prescribed by articles 8-11, 16, 18, 19 and 23 of this Law shall apply to the trade prospectus and supplements thereof, unless otherwise prescribed by this Chapter.
3. The provisions in respect of public offerings, persons carrying out placement and issuers prescribed by articles 18, 19 and 23 of this Law, shall apply to admission of the securities to trading on the market, the persons asking for admission of securities to trading on the market and the reporting issuers, unless otherwise prescribed by this Chapter.
4. Articles 12 and 13 of this Law shall apply to the trade prospectus taking into account the fact that the person having caused the damage has the right to compensate the damage by purchasing the securities traded on the market from the person that suffered the damage at the price which was previously paid for the security or at the selling price thereof — immediately upon admission of the securities to trading on the market.
5. The provisions of chapters 11-14 of this Law in respect of securities and derivative financial instruments shall not apply to the securities, derivative financial instruments defined by Article 4 of this Law. The mentioned securities and derivative financial instruments shall

be admitted to trading on the market and be sold on the market according to the rules of the given market.

6. The Central Bank shall have the right to prescribe, by its regulatory legal acts, special terms and procedure clearing and final settlement of mutual obligations (claims) arising in the result of the admission of the securities and derivative financial instruments prescribed by Article 4 of this Law to trading on the market, trading in that securities and derivative financial instruments and transactions concluded in that securities and derivative financial instruments.

Article 120. Publication of the trade prospectus and admission of securities to trading on the market

1. The trade prospectus shall be published not later than on the working day preceding admission of the securities to trading on the market at least electronically — on the internet website of the issuer, the person providing investment services, who sells securities (including the person collecting fees for the securities) or of the operator of the given market.

2. The persons specified in part 1 of this Article shall be obliged to provide a printed version of the trade prospectus to any person at the request thereof for free. The printed version of the prospectus should be provided to the person not later than on the working day following the day of such request.

3. The Central Bank shall be obliged to publish the trade prospectus registered by it on its official internet website — for a period of 12 months starting from the day of registration of the prospectus.

4. The prospectus drawn up for public offering of the given securities may be published instead of the trade prospectus prescribed by this Law, where the issuer or the person carrying out placement applies for admission to trading on the market immediately after completion of placement of the given securities, but not later than within five working days.

Article 121. Exceptions from the requirement to publish the trade prospectus

1. The requirement to publish the trade prospectus, prescribed by part 1 of Article 119 of this Law, shall not apply to the following securities:

(1) stocks, the total amount of which is no more than 10 per cent of the total amount of stocks of the same class already admitted to trading on the given regulated market in the period of 12 months;

(2) stocks which have been issued for the purpose of exchange with stocks of the same class of the given issuer already admitted to trading on the given regulated market, where this does not lead to increase in authorised capital of the issuer;

(3) securities which are offered by the issuer in relation with acquisition of equity securities of another company by way of exchange, and a document accessible for interested investors is available, which in the opinion of the Central Bank contains information equivalent to the information required by the trade prospectus;

(4) securities, which are offered by the issuer to shareholders of the merging company in connection with merger of another company with the issuer and a document accessible for interested investors is available, which in the opinion of the Central Bank contains information equivalent to the information required by the trade prospectus;

(5) stocks paid as dividends on stocks already admitted to trading on the given market and which are of the same class with the latter, if a document accessible for interested investors is available, which contains information regarding the amount and type of the stocks, as well as the objective and terms of the offer;

(6) securities, which are offered by the issuer or a person belonging to the group of the issuer to the acting or former executive officers or employees of the given issuer, if securities of the same class have already been admitted to trading on the given market and a document accessible for interested investors is available, which contains information on the amount and types of the stocks, and also on the objective and the terms of the offer;

(7) the case of change of the authorised capital by means of an increase or a decrease in the nominal value of stocks as prescribed by Articles 35 and 36 of the Law of the Republic of Armenia “On joint-stock companies”;

(8) the stocks which belong to the same class as the stocks which have been already admitted to trading on the given regulated market and which have been issued with the purpose of exchange with other securities or exercise of rights arising therefrom;

(9) the securities issued by an issuer of stocks which have been already admitted to trading on the market, where the total nominal value of the offered securities does not exceed, in a period of 12 months, the value prescribed by the regulatory legal acts of the Central Bank.

2. An issuer or a person asking admission of securities to trading on the market may apply for admission of the securities to trading on the market on the basis of the document defined by points 3 and 4 of part 1 of this Article only upon prior consent of the Central Bank. In order to obtain prior consent of the Central Bank the issuer or the person asking admission of securities to trading on the market shall submit an application to the Central Bank, the form thereof and list of documents attached thereto are prescribed by the regulatory legal acts of the Central Bank. The Central Bank shall take a decision on granting prior consent or on rejecting to grant the prior consent within 20 working days upon receiving all the necessary documents. The Central Bank shall reject to grant prior consent where the submitted documents do not comply with the requirements prescribed by this Law and the regulatory legal acts of the Central Bank or where a material fact is missing or distorted in them.

3. The requirements for the form and content of documents provided for by points 5 and 6 of part 1 of this Article shall be prescribed by the regulatory legal acts of the Central Bank.

4. Within the meaning of points 3-6 of part 1 of this Article a document shall be considered to be accessible for interested investors where it has been duly delivered to all interested investors or published on the official internet website of the issuer or the person asking admission of the securities to trading on the market and it is available in print form for all interested investors at the headquarters of the issuer or the person asking admission of the securities to trading on the market. Within the meaning of point 3-6 of part 1 of this Article an interested investor shall be the person to whom the offer of the given securities is addressed.

Article 122. Supplements to and the period of validity of the trade prospectus

1. The period of validity of the trade prospectus shall be the period following the publication of the trade prospectus, during which admission of securities to trading on the regulated market, granted on the basis of that prospectus, shall be deemed to be valid.

2. The period of validity of the trade prospectus shall be 12 months, where the requirements prescribed by part 4 of this Article have been observed.

3. Following the expiration of the period of validity of the trade prospectus, admission of the securities to trading on the market on the basis of the given trade prospectus shall be prohibited.

4. Where information included in the trade prospectus is amended, any new material circumstance or fact emerges or where an inaccuracy, deficiency is discovered in the prospectus starting from the moment of submission of the application for registration of the trade prospectus till the day when admission to trading on the regulated market is granted, the issuer or the person asking admission of the securities to trading on the market shall be obliged to submit a supplement to the trade prospectus to the Central Bank within five working days starting from the day of being informed about that or after the day when the issuer or the person asking admission of the securities to trading on the market could have been obviously informed about the given amendment. Provisions of parts 2-5 of Article 14 of this Law shall apply to making supplements and amendments to the trade prospectus.

Article 123. Settlement of disputes

1. A person may, through a judicial procedure, or where a written consent on submitting disputes to an arbitration tribunal exists between the person and the operator — through the arbitration tribunal — have the right of admission of its securities to trading on the market recognised and may oblige the operator to admit its securities to trading on the market.

2. A person may, through a judicial procedure, or where a written consent on submitting disputes to an arbitration tribunal exists between the person and the operator — through the arbitration tribunal — have the right of the person to participate in the market recognised and oblige the operator to grant him a status of a market participant.

Article 124. The obligations of a market participant

A market participant shall be obliged:

- (1) to observe the requirements of the rules of the market;
- (2) to provide the operator with accurate and complete information prescribed by legal acts and the rules of the market;

(3) to provide the operator with the information regarding the transactions with the securities admitted to trading on the market effected off the given market at the request of the operator or in cases prescribed by the rules of the market;

(4) to refrain from market abuse, to observe principles of honest trade and trading in good faith.

Article 125. The responsibilities of the reporting issuer

1. The reporting issuer shall be obliged to fulfill the obligations prescribed by points 1 and 2 of Article 124 of this Law.

2. The executive officers and other employees of the reporting issuer, as well as the persons supervising the issuer shall be obliged to follow the principles of honest trade and trade in good faith when effecting transactions in the given securities.

3. The reporting issuers shall, in addition to the requirements prescribed by Article 126 of this Law, publish a report on information, provided for by this Law, the Law of the Republic of Armenia “On accounting” and other legal acts, published during the previous year — in the manner prescribed by the regulatory legal acts of the Central Bank, upon publishing the annual report. The report shall contain references to the sources of submitted information.

4. The requirement provided for by point 3 of this Article shall not apply to the issuers of securities provided for by point 3 of part 1 of Article 6 of this Law.

Article 126. Periodic disclosure of information by reporting issuers

1. A reporting issuer shall be obliged to publish and submit to the Central Bank:

(1) annual reports approved by an independent audit opinion;

(2) interim reports.

2. The detailed requirements for the content, form, periodicity and the procedure for the publication of the reports defined by part 1 of this Article shall be prescribed by the regulatory legal acts of the Central Bank. The sizes of the reporting issuer, the volumes of transactions effected in the securities issued by the reporting issuer and the type of the security shall be taken into account when prescribing the mentioned requirements.

3. The reporting issuer shall be obliged to provide reports prescribed by part 1 of this Article to any person, at the latter's request, charging only the costs of copying.
4. The requirement prescribed by part 1 of this Article shall not apply to:
 - (1) the Republic of Armenia, communities of the Republic of Armenia and the Central Bank;
 - (2) the issuers, the securities issued by whom are guaranteed by the Republic of Armenia or the Central Bank;
 - (3) issuers of securities provided for by point 3 of part 1 of Article 6 of this Law.
5. The operator of the market may, by the rules of the market, prescribe additional requirements for disclosure of information for the reporting issuers.
6. Within the meaning of this Article and Article 127 of this Law a reporting issuer shall be also the issuer of securities on which depositary receipts admitted to trading on the regulated market are based.

Article 127. Disclosure of information regarding material facts

1. The reporting issuer shall be obliged to publish material facts and information relating to securities issued to the reporting issuer and by the reporting issuer as prescribed by regulatory legal acts of the Central Bank. The Central Bank shall have the right to define by its regulatory legal acts a non-exhaustive list of material facts and information prescribed by this part.
2. The requirement prescribed by part 1 of this Article does not apply to the issuers specified in part 4 of Article 126 of this Law.
3. The reporting issuer shall be obliged to submit the information prescribed by part 1 of this Article also to the Central Bank and the operator of the market on which the given securities are admitted to trading.
4. The Central Bank may define exceptions from the requirement to disclose information prescribed by part 1 of this Article based on a written application of the reporting issuer, where:

(1) disclosure of such information contradicts public interests or will result in disclosure of a state secret;

(2) disclosure of such information may essentially endanger legitimate interests of the reporting issuer provided that not disclosing them may not mislead investors in their decision-making on purchase or sales of securities of the reporting issuer.

5. In cases prescribed by part 4 of this Article the reporting issuer shall be obliged to submit information on material facts only to the Central Bank, together with written substantiation of the necessity of non-disclosure thereof. The reporting issuer shall be obliged to specify also the period during which the mentioned information will be considered confidential. Immediately upon expiry of the mentioned period the issuer shall be obliged to disclose that information as prescribed by part 1 of this Article, as well as to submit this information to the operator of the market, on which the securities issued by the issuer are admitted to trading.

6. The Central Bank shall, within five working days upon receiving the application provided for by part 4 of this Article, take a decision on respecting or on rejecting to respect the confidentiality of the information. The Central Bank shall reject to respect the confidentiality thereof, where it finds, with sufficient grounds, that the information is material and not disclosing it immediately may endanger the interests of investors or fair price formation of the given securities, except for cases prescribed by part 8 of this Article. The reporting issuer shall, within three days upon rejecting to respect confidentiality of the information, be obliged to disclose that information as prescribed by part 1 of this Article, as well as to submit this information to the operator of the regulated market, on which the securities issued by the issuer are admitted to trading.

7. The Central Bank may disclose the information considered confidential before the expiry of the confidentiality period specified in part 5 of this Article, where:

(1) the grounds for considering that information confidential are no longer available;

(2) the reporting issuer has not ensured confidentiality of that information and the information has been disclosed to third persons.

8. The Central Bank shall have the right to define, by its regulatory legal acts, the list and description of information the confidentiality of which shall be respected by the Central Bank in any case.

9. Where the reporting issuer fails to fulfill responsibility thereof within the time-limit prescribed by part 6 of this Article, the Central Bank may independently send this information to the operator of the market and publish it, which does not discharge the issuer of the responsibility prescribed by law.

10. The procedure for submission of confidential information and documents shall be prescribed by the regulatory legal acts of the Central Bank. The Central Bank shall be obliged to rule out publication of such information and documents through internal regulations and taking other measures.

11. The operator of the market may set additional requirements for the reporting issuers in regard of disclosure of material facts and information.

Article 128. The person carrying out audit of a reporting issuer and the audit of reports

1. Annual financial statements of the reporting issuer shall be subject to a mandatory audit inspection.

2. An independent and reliable audit company having sufficient expertise and professional skills in the field of auditing issuers such as the reporting issuer shall have the right to carry out audit of financial and economic activities of the reporting issuer. The Central Bank may, by its regulatory legal acts, define those criteria for the person carrying out audit of financial and economic activities of reporting issuers, in the case of meeting which the person carrying out the audit may provide audit services to the reporting issuer.

Article 129. Transactions on the market

1. The Central Bank shall have the right to define, by its regulatory legal acts, mandatory terms and requirements for the admission of a security to trading and sales on the market with the purpose of ensuring protection of investors and fair price formation of the securities.

2. The persons providing investment services shall be prohibited to effect any transaction in a security on the market with violation of this Law, the regulatory legal acts of the Central Bank and the rules of the market adopted according thereto, and the operator shall be prohibited to allow such a transaction or not to prosecute such a violation.

3. It shall be prohibited to sell a security admitted to trading on the market off the given market, except for the cases prescribed by part 4 of this Article.
4. The Central Bank shall have the right to prescribe, by its regulatory legal acts, exceptions from the requirements, set by part 3 of this Article, for the following cases:
 - (1) for private transactions, i.e. transactions, the parties to which are known in advance;
 - (2) for transactions effected by the persons carrying out placement in the framework of placement of the securities;
 - (3) for the cases of admission to trading and sales on other regulated market of a security admitted to trading on the market.
5. Where any transaction constituting an exception from the cases prescribed by regulatory legal acts adopted according to part 4 of this Article is effected by a person providing investment services off the market or through that person, the latter shall be obliged to submit the price and description of that transaction to the operator — in the form and in the manner prescribed by the regulatory legal acts of the Central Bank. This information shall be published by the operator.
6. The contract (transaction) on sales and purchase of a security on the market shall be considered concluded upon acceptance of the offer made on the market according to the rules of the market.

Article 130. Suspension and cessation of trading in securities

1. The Central Bank, may, due to the necessity to protect interests of investors, order the operator by its decision:
 - (1) to suspend trading in securities for a maximum of 10 working days, where the requirements for trading in securities prescribed by this Law, other legal acts adopted on the basis thereof have been violated or, in the reasonable opinion of the Central Bank — may be violated;
 - (2) to cease trading in certain securities on the market, where the requirements for trading in securities prescribed by this Law, other legal acts adopted on the basis thereof, the rules of

the market, or, where in the reasonable opinion of the Central Bank trading in the given securities endanger the interests of the investors;

(3) to amend or to revoke the decision of the operator provided for by parts 2 and 3 of this Article.

2. The operator shall have the right to suspend trading in any security admitted to trading on the market, where the issuer of those securities has violated the requirements prescribed by this Law, regulatory legal acts adopted on the basis thereof, the rules of the market or failed to fulfill the obligations undertaken by it towards the operator, or where other ground prescribed by the rules of the market is available.

3. The operator shall have the right to cease trading in any security on the market, where the issuer of the securities has committed material violations of the requirements set by this Law, regulatory legal acts adopted on the basis thereof, the rules of the market, or where other ground prescribed by the laws of the market is available.

4. The operator shall cease trading in securities of the given issuer on the market based on an application of the reporting issuer, where the issuer has duly fulfilled all of its obligations undertaken towards the operator, which are prescribed by this Law, regulatory legal acts adopted on the basis thereof and the rules of the market.

5. The decision of the reporting issuer on ceasing trading in securities issued thereby on the regulated market shall be taken by the general meeting of shareholders of the issuer by at least 3/4 of votes of holders of voting stocks participating in it, but no less than 2/3 of votes of holders of voting stocks.

6. The operator shall be obliged to notify, as prescribed by the rules of the market, the issuer, trading in the securities of which has been suspended or ceased as prescribed by this Article.

Article 131. Registration of transactions

1. The operator shall be obliged to keep in chronological order a daily record of all transactions concluded on the market.

2. The operator shall be obliged to register at least the information regarding each transaction in securities, which refers to the moment of concluding the transaction, the market

participant having concluded the transaction, the securities which were the subject of the transaction, including its identification code, nominal value and price.

3. The information on transactions registered by the operator shall be kept for at least seven years.

4. The operator shall have the right, with the purpose of registration of information on transactions, to request from the market participants information on essential terms of a transaction, on the clients and creditors of the market participant, having concluded the transaction, on the time of undertaking obligations towards the client or creditor of the market participant or on the time of receiving an order, and information on fulfillment of that obligation or of an order and other information — in accordance with the rules of the market.

Article 132. Special terms on bankruptcy

1. The insolvency manager or the liquidation manager of an insolvent reporting issuer or a person providing investment services shall continue to ensure observation of market rules by the company.

2. The allotments made by the person providing investment services to the Guarantee Fund, established as prescribed by this Law and legal acts adopted on the basis thereof, shall not be included in the liquidation assets of the person providing investment services and the person possessing the assets of the Guarantee Fund.

Article 133. The obligation to keep information not subject to disclosure

1. The operator, the bodies thereof, their executive officers and other employees shall be obliged to keep and not to make available to third persons for an indefinite period the information which they obtained with regard to performance of their official responsibilities, the activities of the operator or cooperation of the operator with the Central Bank, provided for by Article 140 of this Law, where the information is not subject to disclosure according to law, other legal acts or the rules of the market.

2. The respective body of the operator, the executive officers and other employees thereof shall communicate information provided for by part 1 of this Article to another body, executive officers or other employees of the operator in the cases and in the manner

prescribed by the charter of the operator or other acts, as well as to third persons having the obligation to keep this information — in cases and in the manner provided for by law.

Article 134. The obligation to transfer information

Information submitted to the operator shall be accurate, clear and complete. Where no other time-limit is provided for by this Law, other legal acts and the rules of the market, a person shall submit the information to the operator immediately.

Article 135. Publication of information by the operator

The operator shall be obliged, with the purpose of ensuring transparency of the securities market, to publish information received from the market participants and reporting issuers to the extent and the manner prescribed by this Law, regulatory legal acts of the Central Bank and the rules of the market.

Article 136. Publication of information on trading

1. The operator shall be obliged to ensure permanent availability of information on purchase, sales of any security admitted to trading on the market, the last transaction price, price change, the maximum and minimum price and the volume and number of transactions in the given securities.
2. The Central Bank shall have the right to define, by its regulatory legal acts, detailed requirements for the composition, volume of information, frequency and form of disclosure of the information prescribed by part 1 of this Article.

Article 137. The procedure for the disclosure of information

1. The operator shall be obliged to disclose the information specified in articles 135 and 136 of this Law at least on the internet website thereof.
2. The operator shall disclose information specified in Article 136 of this Law at least in Armenian and English languages.

Article 138. Exemption from the obligation to submit and disclose information

1. A person having an obligation to submit information to the operator or to publish information may be exempted from such obligation on the grounds, in the manner prescribed by the rules of the market and upon the permission of the operator. The operator shall be obliged to immediately notify the Central Bank on having granted such permission.
2. The Central Bank may by its order oblige the operator to revoke the permission specified in part 1 of this Article, where in the opinion of the Central Bank granting such permission is not justified in terms of protection of interests of investors, financial situation in the market or financial position of the issuer.
3. Where the Central Bank does not issue the order specified in part 2 of this Article within three working days upon receiving the notification on granting the permission specified in part 1 of this Article, the consent to granting of the permission specified in part 1 of this Article shall be deemed to be granted.

Article 139. The obligation of the operator to control the market

1. The operator shall be obliged to control price formation and conclusion of transactions on the market — in order to disclose and prevent transactions concluded by using inside information, price manipulation and violation of legal acts.
2. The operator shall control the market participants and reporting issuers within the limits and in the manner prescribed by law, other regulatory legal acts and the rules of the market.
3. The operator shall have the right to inspect the documents of the market participants relating to the right of the latter to participate in the market and to request from them information which is necessary for exercising control. The operator shall have the same rights also in regard of the reporting issuers.

Article 140. Cooperation with the Central Bank

1. The operator and the Central Bank shall cooperate with the purpose of exercising effective control over the market by the Central Bank.

2. The Operator shall be obliged to notify the Central Bank of any violation of requirements prescribed by law, as prescribed by the Central Bank.
3. When exercising control over the market the Central Bank shall have the right to provide the operator with information, which is necessary to exercise sufficient control over the market, including such information not subject to disclosure, which the Central Bank obtained in connection with performing its control functions defined by this Law.
4. The operator shall be obliged, at the request of the Central Bank, to provide the Central Bank with free access to information, technological and other systems used for the organisation of the market, intermediation of transactions and transfer of information.

Article 141. Reports of the operator

1. The operator shall be obliged to submit reports to the Central Bank, including its quarterly reports and annual financial statements approved by an independent audit opinion — in the form, manner and within time-limits prescribed by the regulatory legal acts of the Central Bank.
2. The Central Bank shall have the right to request any other report, statement of information or explanation with regard to the operator, participants in the trading, reporting issuers or with regard to activities thereof, which is necessary to exercise the competence thereof defined by this Law.
3. The operator shall be obliged to, within five working days upon receiving the request specified in part 2 of this Article, submit the requested information and /or documents to the Central Bank.

Article 142. Penalties applied by the operator

1. The operator may, as prescribed by the rules of the market, apply penalties to a market participant and a reporting issuer for the violation of requirements of this Law, legal acts adopted on the basis thereof and of the rules of the market — in the manner and in the amounts prescribed by the rules of the market.
2. The person, in regard of whom the decision to apply a penalty has been taken, shall have the right, within 10 working days upon delivery of the decision thereto, to appeal against it

before a court or an arbitration tribunal established by the operator in the manner prescribed by this Law, regulatory legal acts adopted on the basis thereof and the rules of the market.

3. Filing an appeal against the decision on imposition of the penalties specified in part 1 of this Article shall not suspend the application thereof.

4. The operator shall be obliged to publish, in the manner prescribed by the rules of the market, information on the fact, time of application of the penalty, the nature of the violation and the identity of the person having committed the violation, and, where an appeal against the penalty is filed before a court — also the judgment of the court.

CHAPTER 14

STOCK EXCHANGE

Article 143. The notion of the stock exchange

1. A stock exchange is a regulated market which complies with the minimum requirements prescribed by this Chapter and the regulatory legal acts of the Central Bank.

2. Unless otherwise prescribed by this Chapter, the provisions of this Law relating to the market and its operator shall apply to the stock exchange (hereinafter referred to as the “exchange”) and the operator of the stock exchange (hereinafter referred to as the “operator of the exchange”) respectively.

Article 144. Members of the exchange

1. A member of an exchange shall be a person who has been granted the right to conclude transactions in all or some of the securities admitted to (listed for) exchange trading by the operator of the exchange, and who shall act in compliance with the rules of the exchange.

2. Only the persons providing investment services, which comply with the requirements prescribed by the rules of the exchange, may become members of the exchange.

3. The operator of the exchange shall have the right to define, by its charter and the rules of the exchange that only members of the exchange may participate in the exchange trading.

4. The members of the exchange shall be obliged to pay the operator of the exchange for the provided services, unless otherwise prescribed by the rules of the exchange.
5. The provisions of this Law relating to the regulated market participants shall apply to members of an exchange, unless otherwise prescribed by this Chapter.

Article 145. The rules of the exchange

Apart from the rules of the market prescribed by Article 115 of this Law, the rules of the exchange shall prescribe the following:

- (1) the grounds, terms and the procedure for listing, suspension of listing and delisting of securities;
- (2) the obligations of issuers of listed securities toward the operator of the exchange;
- (3) the grounds, the terms and the procedure for granting or termination of the membership in the exchange;
- (4) the rights and responsibilities of members of the exchange with regard to the operator of the exchange, the other members, as well as the clients or creditors;
- (5) the rights, responsibilities, the procedure and terms for the election or appointment of the persons having the power to take a decision on listing of the securities, of the management body of the operator or of members of that body.

Article 146. Listing

1. An operator of an exchange may admit to trading on the exchange only those securities, which have been listed on the exchange according to this Law, regulatory legal acts adopted on the basis thereof and the rules of the exchange.
2. Unless otherwise prescribed by this Chapter, the provisions relating to the admission of the securities to trading on the market, suspension and termination of the admission shall apply to listing, suspension of listing and delisting of securities on an exchange.

Article 147. Listing terms

1. Only those securities, which and the issuers of which comply with the requirements prescribed by this Law, the regulatory legal acts of the Central Bank and the rules of an exchange, may be listed on an exchange.
2. In case of listing the security and its issuer shall comply with at least the requirements prescribed by the regulatory legal acts of the Central Bank, which shall set:
 - (1) the requirements for the issuer, including the requirements for the legal status, capital and financial position of the issuer, the management bodies of the issuer, the activities of the issuer and the terms thereof;
 - (2) the requirements for securities, including for their legal status, special rules on free circulation, public offering, listing of securities of the same class and the form of a security;
 - (3) the requirements for securities issued by foreign issuers;
 - (4) other requirements including the requirements for the minimum value of listed debt securities and the terms of listing of convertible bonds.

CHAPTER 15

SECURITIES TENDER OFFER

Article 148. Securities tender offer

1. This Chapter shall apply to the tender offer of those equity securities of stock companies (except for investment funds) registered in the territory of the Republic of Armenia, which are admitted to trading on a regulated market operating in the territory of the Republic of Armenia.

The issuer's offer to purchase equity securities issued thereby shall not be deemed to be a securities tender offer.

2. A securities tender offer is a public offering to purchase all or any part of equity securities of the same class, according to which the person or persons making the offer (the buyer) offers the holders of the given securities to alienate (tender) 10 or more per cent of the securities of the given class to the buyer. A securities tender offer may be made at least at the

market price of the given securities, the procedure and the terms for calculation of which shall be defined by the Central Bank.

3. Prior to publishing a securities tender offer the person shall obtain prior consent of the Central Bank. In order to obtain the prior consent of the Central Bank the person making the securities tender offer shall submit a tender offer statement (hereinafter referred in this Chapter as the “statement”) to the Central Bank, the requirements for the information included therein shall be prescribed by the regulatory legal acts of the Central Bank.

4. The Central Bank shall take a decision on granting prior consent or rejecting to grant it within 15 working days upon receiving the statement. The Central Bank may reject to grant the prior consent where the statement or the terms of the offer contradict this Law or the regulatory legal acts of the Central Bank.

5. The person making the securities tender offer shall be obliged, within five working days upon receiving prior consent of the Central Bank, to publish the securities tender offer as prescribed by the regulatory legal acts of the Central Bank. All advertising and other materials published concurrently with the offer or provided to the holders of securities shall contain the information included in the statement.

6. The Central Bank may request from the person making the securities tender offer any document or information relating to the given offer, including on the purpose of acquisition of the securities, lawfulness of the origin of funds used for the offer.

7. The offers, announcements, statements and the supplements thereof, information, advertising and other materials provided for by this Article (hereinafter referred to as the “announcements”) should be submitted also to the issuer of the given securities not later than on the day of their publication.

8. Any public offering or recommendation on accepting or rejecting the securities tender offer shall be made in accordance with this Law and the regulatory legal acts of the Central Bank adopted on the basis thereof.

9. Distortion (omission), with direct or indirect intention, of any material fact in the announcement published or provided in accordance with this Article in connection with the securities tender offer shall be prohibited.

10. In the course of the securities tender offer the persons having submitted the offer shall be prohibited to:

(1) purchase or make an offer to purchase securities provided for by the offer (or the securities to be exchanged with them) in any other way or by any other means than it is provided for by the securities tender offer;

(2) sell any security of the issuer which is provided for by the given securities tender offer, or which may be exchanged with it. This point shall not restrict the possibility to envisage the compensation or the part of it, offered to the holders of the given securities in the securities tender offer, in other securities in accordance with part 11 in this Article.

11. The compensation offered to the holders of the given securities in the securities tender offer may be in monetary assets and/or in securities of other issuer or of the given issuer, which are admitted to trading on the regulated market, except for the mandatory securities tender offer made in accordance with Article 152 of this Law, in the case of which the mentioned compensation may be only in monetary assets.

(Article 148 supplemented by HO-271-N of 22 December 2010)

Article 149. The terms of a securities tender offer and amendments thereto

1. The period of a securities tender offer may not be less than 15 days and more than 60 days.

2. The terms of a securities tender offer shall be the same for all the holders of securities of the given class. In case when announcements are provided with respect to that offer to the holders of the securities, all the holders of securities of the given class shall be provided with the same announcements.

3. The person having accepted a securities tender offer shall have the right to withdraw the acceptance thereof at any time following the day of publication of the tender offer (an amendment thereof) till it closes.

4. The person having submitted a securities tender offer may amend the terms of the securities tender offer till it closes by increasing the amount of the compensation offered to the holders of the securities or prolonging the period of the offer. In order to amend the terms of the securities tender offer the person having submitted the offer shall obtain prior consent of the Central Bank, by submitting a supplement to the statement. The Central Bank shall take the decision on granting prior consent for the amendment of the terms of the offer or on

rejecting granting thereof within three working days upon receiving the supplement to the statement. The Central Bank may reject granting prior consent, where the amendments submitted by the supplement deteriorate positions of the holders of the securities as compared to the initial terms of the offer. The person submitting the securities tender offer shall, within three working days upon obtaining the prior consent of the Central Bank, be obliged to publish amendments to the securities tender offer as prescribed by the regulatory legal acts of the Central Bank.

5. Where the person having submitted the securities tender offer makes, as prescribed by part 4 of this Article, amendments to the terms of the securities tender offer till it closes, by increasing the amount of compensation offered to the holders of the securities, the person shall be obliged to pay the increased amount of the compensation for all the securities tendered (and where the previous amount of compensation has been already paid — to pay the difference thereof) — regardless the circumstance that those securities were tendered and accepted before the publication of the given amendment.

Article 150. Acceptance of a greater number of securities than provided for by the securities tender offer

1. Where the tender securities offer has been made for a part of the securities of the given class and a greater de-facto number of securities have been tendered within the period of validity of the offer (starting from the day of publication or provision of the offer till its closes) than provided for by the offer, the securities shall be accepted proportionally — according to the number of the securities tendered by each holder.

2. The requirements of point 1 of this Article shall apply to the securities which have been tendered within the period of validity of the amendments provided for by part 4 of Article 149 of this Law.

Article 151. The procedure for association of persons

Within the meaning of articles 148, 149, 150 and 152 of this Law persons coming up with agreement (either in writing or orally) to act jointly with the purpose of acquiring, possessing or alienating a security of the issuer shall be deemed to be a one person and the securities of the same class purchased by each of them shall be unified in order to determine their percentage ratio in all the securities of the given class.

Article 152. The mandatory securities tender offer

1. Any person, who in the result of one or more transactions in an equity security of the issuer becomes holder of more than 75 per cent of securities of the given class, shall be obliged to make a tender offer to itself for all the securities of the given class in accordance with the requirements of this Chapter.
2. In the case provided for by part 1 of this Article the person shall be obliged to submit the statement of the securities tender offer to the Central Bank within 10 working days upon effecting the respective transaction, in the result of which the person has become holder of over 75 per cent of the securities of the given class.
3. The requirement prescribed by part 1 of this Article shall apply to the termination of admission of stocks to trading on the regulated market on the ground defined by part 4 of Article 130 of this Law: the procedure and the terms of execution of the termination shall be prescribed by the regulatory legal acts of the Central Bank.
4. The requirement prescribed by part 1 of this Article shall not apply to the cases, where:
 - (1) a person has become the holder of more than 75 per cent of securities of the given class in the result of reduction of the authorised capital of the given company;
 - (2) the person has become the holder of more than 75 per cent of securities of the given class in the result of a voluntary securities tender offer made thereof for all the securities of the given class as prescribed by this Chapter;
 - (3) the securities have been acquired by a person providing investment services for the placement purposes;
 - (4) the person shall alienate a part of the securities of the given class exceeding 75 per cent thereof, within 10 working days following the day of acquisition thereof, to the person, who according to Article 151 of this Law is not deemed to be a person having agreed to act jointly, and under the condition that a general meeting of the shareholders of the issuer of the given securities shall not be convened within that period.

CHAPTER 16

ACQUISITION OF SHAREHOLDING

Article 153. Scope of this Chapter

This Chapter shall apply to acquisition of shareholding in joint-stock companies registered in the territory of the Republic of Armenia, the stocks issued by which are admitted to trading on the regulated market operating in the Republic of Armenia.

Article 154. The obligation to notify

1. Any person who, directly or indirectly, in person or through affiliated persons, acquires shareholding in a company in the result of which its voting shareholding in the authorised capital of the company amounts to 5, 10, 20, 50 or 75 and more per cent, shall be obliged to notify the issuer and the Central Bank about it immediately, but not later than within four working days in the form and in the manner prescribed by the Central Bank.
2. Where the shareholding of the person in the authorised capital of the issuer decreases below any limit specified in part 1 of this Article, the given person shall be obliged to notify the issuer and the Central Bank about that immediately, but not later than within four working days, in the form and in the manner prescribed by the Central Bank.
3. The period specified in parts 1 and 2 of this Article shall be counted from the moment when the person had been aware or could have been aware — in the case of paying reasonable attention — of the acquisition, increase or decrease of such shareholding.

Article 155. Confirmation of acquisition or alienation of shareholding

The person having submitted a notification according to parts 1 and 2 of Article 154 of this Law, shall be obliged, upon request of the Central Bank or a company, to confirm the amount of shareholding owned by him directly or indirectly, the amount of its acquisition or alienation.

Article 156. The obligation to disclose

The issuer shall be obliged to arrange for disclosure of information received according to Article 154 of this Law, as prescribed by the regulatory legal acts of the Central Bank.

Article 157. Exemptions from the requirement for notification

1. The Central Bank shall have the right, based on a written substantiated application submitted by a person, to define exemptions from the obligation for notification prescribed by Article 154 of this Law for the person having submitted the application, where:

- (1) the person having submitted the application provides investment services provided for by point 2 or 4 of part 1 of Article 25 of this Law;
- (2) the person having submitted the application is a participant in the regulated market operating in the Republic of Armenia;
- (3) the exemption has been asked in connection with acquisition or alienation of qualifying holding in the course of provision of investment services provided for by point 2 or 4 of part 1 of Article 25 of this Law; and
- (4) the person having submitted the application does not use the shareholding with the purpose of hindering management of the company.

2. Where the Central Bank does not take a decision on defining an exemption within seven days upon receiving the application specified in part 1 of this Article, the application shall be considered rejected. The Central Bank, shall, at the request of the person, be obliged to substantiate rejection of the application for the exemption.

3. The Central Bank may define the list of the information which is necessary to take a decision on exemption and consideration of the application.

CHAPTER 17

PROHIBITION OF MARKET ABUSE

Article 158. Market abuse

Within the meaning of this Law market abuse is the use of inside information in bad faith to conclude transactions in the market, as well as price manipulations.

Article 159. Application of provisions relating to market abuse

1. Unless otherwise provided by this Chapter, provisions of this Chapter shall apply to any security admitted to trading on the regulated market operating in the territory of the Republic of Armenia, as well as the securities and relations pertaining thereto, for which admission to trading on the regulated market is asked.

2. The prohibition prescribed by Article 162 of this Law shall be applied also to the securities which are not admitted to trading on the regulated market, but the price of which depends on (is derived from) the price of securities admitted to trading on such market.

2.1. Provisions of this Chapter shall extend to:

1) derivative financial instruments relating to securities prescribed by parts 1 and 2 of this Article;

2) derivative financial instruments which are considered when taking a decision on purchasing or selling the security prescribed by part 1 of this Article;

3) derivative financial instruments with which contracts may have essential impact on the prices of securities prescribed by part 1 of this Article;

4) derivative financial instruments relating to currencies.

3. The provisions of this Chapter shall not apply to transactions concluded by the Republic of Armenia, the Central Bank or persons acting on behalf of them in the framework of implementation of monetary, securities policy and management of public debt.

Article 160. Inside information

1. Any certain unpublished information, which directly or indirectly relates to one or several securities or issuers thereof and the publication of which may have essential impact on the prices of the mentioned securities and/or derivative **financial** instruments connected with them, shall be deemed to be inside information.

2. For the persons fulfilling orders connected with securities, inside information shall be deemed to be certain unpublished information provided by the client, which is connected with the orders assigned by the client and directly or indirectly related to one or several issuers and

securities thereof, and publication of which may have essential impact on the prices of the mentioned securities and/or derivative **financial** instruments connected with them.

3. The certain information mentioned in parts 1 and 2 of this Article shall be the information on a fact or event, which has taken place, taking place or a fact or event with realistic probability of taking place, which is sufficient for forming a substantiated opinion on potential impact of the mentioned facts or events on prices of the securities and/or derivative **financial** instruments connected with them.

4. The information mentioned in parts 1 and 2 of this Article, which in the case of being published would have essential impact on the price of a security or a derivative **financial** instrument connected with it, shall be the essential information which the reasonable investor would value when taking a decision on purchasing or selling the given security.

5. Research and evaluations carried out on the basis of publicly available (public) information shall not be deemed to be inside information even if those may have essential impact on the prices of securities and/or derivative **financial** instruments connected with them.

Article 161. The insider

1. An insider is each person who possesses inside information in relation to participation thereof in the capital of the issuer, as well as in relation to the membership, holding office or fulfillment of other responsibilities thereof or provision of services in any management body of the issuer.

2. Where the person mentioned in part 1 of this Article is a legal person, the natural person who participates in the process of decision-making on conclusion of transactions for the legal person, shall be also deemed to be an insider.

3. Any other person who possesses inside information, including the possession of inside information acquired as a result of committing a crime, who, in the case of having paid reasonable attention, could have been aware that this information is inside information, shall be deemed to be an insider.

4. Any person who gets familiarised to the information, the source of which is obviously one or more insiders, shall be also deemed to be an insider.

Article 162. Prohibition of use of inside information in bad faith

1. The use of inside information in bad faith shall be prohibited.
2. Use of inside information in bad faith takes place, where an insider:
 - (1) directly or indirectly purchases or sells or attempts to purchase or sell a security or a derivative **financial** instrument connected with it on the basis of inside information at its or another person's expense;
 - (2) discloses inside information to third persons, except for the cases when such disclosure is connected with performing routine functions or performance of official duties;
 - (3) recommends or otherwise prompts third persons on the basis of inside information to purchase or sell securities or derivative **financial** instruments connected with them.
3. Use of inside information in bad faith does not take place where the information is considered as inside information for the conclusion of a transaction on purchase or sales of a security and the person possessing that information, which is a party to the given transaction, has concluded the transaction prior to being considered an insider.

Article 163. Disclosure of inside information

1. The issuer of securities shall be obliged to immediately disclose inside information directly relating to the issuer. The inside information shall be disclosed in a way which would ensure quick access to it and full, accurate and timely evaluation of that information by the public.
2. Disclosure of inside information shall not be postponed except for the cases prescribed by Article 164 of this Law. The Central Bank may define, by its regulatory legal acts, detailed requirements for the form and the procedure for the disclosure of inside information.
3. Apart from the requirements of part 1 of this Article, the issuer of the securities shall be obliged to also immediately disclose the inside information on the internet website thereof.
4. Any essential amendment to the published inside information shall be immediately disclosed through the same procedure and means as initial inside information was disclosed — with adherence to the requirements prescribed by this Chapter.

5. The issuers of the securities shall be obliged to ensure disclosure of inside information directly relating to the issuer for all the groups of the investors equally.

Article 164. Postponement of the disclosure of inside information

1. Where the disclosure of inside information may essentially endanger the legitimate interests of the issuer, the latter may at its own responsibility postpone the disclosure of inside information provided that such postponement will not lead to misleading the public and he will ensure the confidentiality of the inside information.

2. The Central Bank may, by its regulatory legal acts, define a non-exhaustive list of the situations, in the case of which disclosure of inside information may endanger the legitimate interests of the issuer, as well as the requirements for observing confidentiality of inside information.

3. Parts 4-9 of Article 127 of this Law shall apply to the issuer in the cases prescribed by part 1 of this Article.

Article 165. The disclosure of inside information in the case of the leak thereof

1. Where an issuer or a person acting on behalf or at the expense thereof provides information to third persons with regard to the work, profession, position or performance of other responsibilities thereof or provision of services, the issuer or the person acting on behalf or at the expense thereof shall be obliged to publicly disclose that information to the same extent — simultaneously with providing the information to a third person (where the information has been provided intentionally), or immediately upon provision of the information to the third person (where the information has been provided unintentionally).

2. The requirement prescribed by part 1 of this Article shall not apply to the cases when a third person, who has been provided inside information, bears the responsibility to observe confidentiality of that information, which is provided for by legislation, a charter or a contract.

Article 166. Compensation for damages

1. A person shall have the right to claim compensation from the issuer for the damages incurred in the result of failure to disclose inside information directly relating to the issuer or disclosure of inaccurate information, where the person:

(1) has acquired the security after unlawful failure to disclose inside information or inaccurate disclosure thereof and at the moment of the disclosure of inside information or becoming aware of inaccuracy of inside information is the holder thereof;

(2) a security purchased before unlawful failure to disclose or inaccurate disclosure has been sold after becoming aware of the fact of such non-disclosure or inaccurate disclosure.

2. The issuer shall not bear the responsibility to compensate for the damage prescribed in part 1 of this Article, where the person which incurred the damage had been aware of inside information or of the fact of the inaccuracy thereof when acquiring or selling the security.

3. The limitation period for compensation of damage provided for in part 1 of this Article shall be one year starting from the moment of the investor's becoming aware of the fact of unlawful failure to disclose inside information or disclosure of inaccurate information, but not more than three years starting from the moment of becoming aware of the fact of unlawful failure to disclose inside information or disclosure of inaccurate information.

Article 167. General responsibilities of the investor with regard to inside information

1. In the case of failure to disclose inside information in accordance with the prescribed procedure the issuer shall be obliged to ensure confidentiality of inside information and to control access of persons to it. The issuer shall be obliged to block access to inside information for the persons who do not need to possess such information while performing their responsibilities with regard to the activities of the issuer.

2. The issuer shall be obliged to ensure awareness of insiders regarding responsibilities connected with inside information and the liability prescribed for the use of inside information in bad faith.

3. The insider shall be obliged to take sufficient legal, organisational and technical measures in order to perform the responsibilities thereof prescribed by Article 165 of this Law.

Article 168. The list of insiders

1. The issuer and the person acting on behalf thereof (hereinafter in this article referred to as the “person maintaining the list”) shall be obliged to maintain the list of persons who while performing their responsibilities or on other grounds deal with inside information (hereinafter referred to as the “list of insiders”). The person maintaining the list shall be obliged to clearly distinguish in the list of insiders persons having permanent access to inside information and other persons dealing with that information.
2. Maintenance of the list of insiders shall enable the issuer to check and control the internal flow of inside information by separate parts of that information.
3. The person maintaining the list shall be obliged to update the list of insiders periodically and to ensure inclusion therein of persons possessing inside information at the given moment.
4. The person maintaining the list shall be obliged to appoint a person responsible for maintaining the list of insiders, ensuring the accuracy thereof and periodic update of information contained therein.
5. The list of insiders shall contain information prescribed by regulatory legal acts of the Central Bank.
6. The person maintaining the list shall be obliged to ensure maintenance of information included in the list of insiders for a period of at least five years starting from the day of inclusion of the given information in the list of insiders.
7. The person maintaining the list shall be obliged to submit the list of insiders to the Central Bank as prescribed by regulatory legal acts of the Central Bank.

Article 169. Submission and disclosure of information on transactions

1. The executive officer of the reporting issuer, persons affiliated therewith and with the issuer shall be obliged to submit a report to the Central Bank on transactions concluded at their expense in the stocks, derivative **financial** instruments of the issuer or other securities connected with such derivatives — within five days following the conclusion thereof.

2. The composition of the information included in reports specified in part 1 of this Article, the form of the reports and the procedure for the submission thereof shall be prescribed by regulatory legal acts of the Central Bank of Armenia.
3. The Central Bank shall publish reports specified in part 1 of this Article on its official internet website. The Central Bank may permit a third person to publish the reports specified in part 1 of this Article on a website managed thereof.
4. Within the meaning of this Article the executive officers are the members of the executive body of the issuer, of the supervisory board (the board of directors), as well as employees of the issuer, who have permanent access to inside information relating to the issuer and are competent to make decisions regarding the issues of management of the activities of the issuer and development thereof.
5. The Central Bank may by its regulatory legal acts define exemptions from the requirement prescribed by part 1 of this Article — for the issuers of the securities provided for by point 3 of part 1 of Article 6 of this Law.

Article 170. The obligation to define internal rules

1. The reporting issuer shall be obliged to define internal rules for observing confidentiality of inside information and regulating the process of the disclosure thereof.
2. The reporting issuer shall be obliged to define internal rules regulating the process of transactions conclusion in securities of the issuer by the executive officers of the issuer, other employees and qualifying shareholders thereof.
3. The obligation to define internal rules prescribed in part 2 of this Article shall apply also to other persons who possess inside information with regard to performance of their functions, responsibilities or provision of services.
4. The persons specified in parts 1-3 of this Article shall, at the request of the Central Bank, be obliged to submit the internal rules prescribed by this Article to the Central Bank within five working days upon receiving that request.

Article 171. Price manipulations

1. Price manipulations in the securities market shall be prohibited.
2. Within the meaning of this Law a price manipulation shall be deemed to be:
 - (1) conclusion of such transactions or making an order on conclusion thereof, which leads or may lead to shaping a wrong or misleading idea on the price of a security in the market, on the volume of demand for or supply thereof or wrongful or misleading signaling, except for the cases when the person concluding the transaction or having made the order for conclusion of the transaction acted in compliance with the decision prescribed by point 2 of part 3 of this Article;
 - (2) conclusion of such transactions or making an order on conclusion thereof that leads to irregular price deviations or to establishing an artificial level of the price of the security, except for the cases where the person concluding the transaction or having made the order on conclusion of the transaction acted in compliance with the decision defined by point 2 of part 3 of this Article;
 - (3) conclusion of the transactions or making an order on conclusion thereof which is carried out with application of false, mechanisms of bad faith or mechanisms leading to misunderstanding and/or misleading mechanisms;
 - (4) spreading information that communicates wrong or misleading signals regarding prices of the securities to the market participants, including spreading distorted information on the given security, where the person spreading that information knew or in the case of paying reasonable attention could have known about the fact of not corresponding thereof to the reality;
 - (5) actions which do not constitute the actions specified in points 1-4 of part 1 of this Article, but are of similar nature.
3. The Central Bank shall define by its regulatory legal acts:
 - (1) the criteria of existence of cases of price manipulations specified in part 2 of this Article and most detailed description of the circumstances serving as a ground for recording them;
 - (2) the cases, when actions specified in part 2 of this Article or actions similar to them shall not be deemed to be price manipulation.
4. The following actions, as prescribed by regulatory legal acts of the Central Bank, shall not be deemed price manipulation:

(1) effecting a number of transactions on purchase and/or sales of a security on the regulated market by one or more persons with the purpose of maintaining, setting or stabilising the price of the given security;

(2) repurchase by the issuer of the securities issued thereof with the purpose of reducing the authorised capital, fulfilling obligations arising from debt securities convertible into equity securities or carrying out programs of provision of employees' stocks.

5. When qualifying the publication of distorted information during fulfillment of professional duties by journalists as an action specified in point 4 of part 2 of this Article, the rules regulating the activities of journalists shall be considered, except for the cases when a journalist acted for mercenary purposes.

Article 172. Investment proposals

1. Within the meaning of this Law an investment proposal is a written or oral research or other information containing a recommendation or a proposal on choosing a certain strategy of investments into securities, which is carried out through publication or other means with the purpose of making it known to the public or an indefinite scope of persons.

2. The research or other information specified in part 1 of this Article shall include:

(1) the information compiled by an independent analyst, a person providing investment services, persons providing investment proposals as a main activities thereof, as well as the information compiled by employees or authorised persons thereof, which directly or indirectly comprises an investment proposal in regard of a specific security or the issuer thereof;

(2) the information compiled by persons not specified in point 1 of this part, which comprises a recommendation on making an investment decision in regard of a specific security and is expressed, in particular, in the words "to purchase", "to sell", "to hold" or other words of similar content and declensions thereof.

3. The Central Bank may define, by its regulatory legal acts, detailed requirements for persons drawing up and disseminating investment proposals, the compilation and dissemination of investment proposals, the information included in investment proposals.

Article 173. Submission of information

1. Any person who became aware of any information giving rise to suspicions regarding price manipulations shall be obliged to submit this information to the Central Bank.
2. The obligation prescribed by part 1 of this Article shall apply also to the natural persons acting within legal persons and on behalf thereof, who have access to inside information.
3. The Central Bank shall collect, maintain and use information and documents specified in part 1 of this Article exclusively for the purposes of revealing violations of the obligations and restrictions prescribed by this Chapter, performing responsibilities thereof provided for by this Chapter and cooperating with competent authorities of other countries.
4. Where the information specified in this Article ceases to serve purposes defined by part 3 of this Article, it should be subject to immediate destruction.

Article 174. The obligation of persons providing investment services to notify the Central Bank

1. A person providing investment services shall be obliged to immediately notify the Central Bank about any reasonable suspicion thereof on price manipulations — orally, in writing or electronically. In case of notifying orally, the person providing investment services, shall, at the request of the Central Bank, submit in writing the information submitted orally not later than at the end of the day following the day of submission of oral information.
2. The suspicion specified in part 1 of this Article shall be substantiated by evidence.
3. When reporting suspicions, specified in part 1 of this Article, regarding any person to the Central Bank, the person providing investment services shall be obliged to observe the confidentiality of the fact of submission of information on the suspicions to the Central Bank.
4. The notification on the suspicion specified in part 1 of this Article shall comprise:
 - (1) description of the suspicious transaction including the security, the type of the transaction and order;
 - (2) substantiation of the suspicion;
 - (3) measures to clarify the identity of the parties to the transaction;

- (4) information on the activities of the person reporting the suspicion;
 - (5) other information considered material by the person reporting the suspicion.
5. Where the whole information specified in part 4 of this Article is not available to the person reporting the suspicion, the notice on the suspicion shall contain at least the substantiation of the suspicion. The rest of the information specified in part 4 of this Article shall be submitted to the Central Bank immediately upon availability thereof.

SECTION 5

THE CENTRAL DEPOSITORY. SECURITIES DEPOSITORY AND SETTLEMENT SYSTEMS

CHAPTER 18

THE CENTRAL DEPOSITORY

Article 175. The Central Depository

1. The Central Depository is a joint-stock company which carries out the functions of centralised custodian, centralised registrar and operator of the securities settlement system as prescribed by this Law, the regulatory legal acts of the Central Bank and its rules.
2. The Central Depository shall have, based on a contract concluded with the operator of the regulated market, the right to perform the functions of determining and setting off (clearing) mutual obligations (claims) arising in the result of transactions in securities concluded on the given regulated market.
3. The Central Bank shall have the right to permit the Central Depository, by its regulatory legal acts, carrying out additional types of activities connected with the performance of the functions provided for by parts 1 and 2 of this Article by prescribing, upon necessity, additional requirements for the performance thereof.

4. The Central Depository shall be prohibited to carry out any other activities not provided for by this Article, unless otherwise prescribed by the regulatory legal acts adopted in accordance with part 3 of this Article.

5. The requirements prescribed by the Law of the Republic of Armenia “On joint-stock companies” shall apply to the Central Depository, unless other specifics are prescribed by this Law.

6. The provisions of this Section shall not apply to the Central Bank, where the Central Bank performs the functions of the centralised custodian and/or the operator of the settlement system with regard to securities issued by the Republic of Armenia or the Central Bank.

Article 176. The functions of the Central Depository

1. The Central Depository shall, as prescribed by this Law, the regulatory legal acts of the Central Bank and its rules, perform the following functions:

(1) as the centralised custodian:

a. shall provide depository services to sub-custodians and other persons prescribed by regulatory legal acts of the Central Bank;

b. shall dematerialise securities and hold the records of their accounts;

c. shall grant identification codes of securities;

(2) as a centralised registrar shall perform maintenance of an integrated system (register) on holders (nominees) of securities, the amount, type and class of the securities belonging to them (registered in their name) — based on a contract concluded with the issuer;

(3) as an operator of the securities settlement system (hereinafter also referred to as the “settlement system”) shall:

a. shall determine and set off mutual obligations and claims arising in the result of transactions concluded in securities (clearing);

b. shall transfer the securities within respective accounts and carries out final settlement in the result of transactions concluded in securities;

- c. shall organise, based on a contract concluded with the person providing payment and settlement services specified in part 1 of Article 18 of the Law of the Republic of Armenia “On payment and settlement systems and payment and settlement organisations”, fulfillment of monetary obligations arising in the result of final settlement of the securities between members of the settlement system;
 - d. makes the necessary inquiries for the purposes of clearing and final settlement of securities and monetary assets, as prescribed by law, other legal acts, the rules of the settlement system and the concluded contracts;
 - e. establish and manage guarantee funds with the purpose of ensuring fulfillment of mutual obligations of the members of the settlement system and reducing risks associated with the activities of the settlement system;
 - f. act as a party to all the transactions (the central agent of the parties) during the fulfillment of mutual obligations and claims arising in the result of transactions in securities, as prescribed by the rules of the settlement system.
2. The Central Depository shall have the right to carry out, in accordance with its rules, services necessary for performance of functions prescribed by part 1 of this Article, as well as other services associated with them, in the manner and under the terms prescribed by the regulatory legal acts of the Central Bank.

Article 177. The statutory capital and total capital of the Central Depository

1. The Central Bank shall define the minimum amounts of the authorised capital and the total capital of the Central Depository in term of certain sums. The Central Bank may review the minimum amounts of the authorised capital or the total capital of the Central Depository, but not more often than once a year.
2. The total capital of the Central Depository is the sum of its core (primary) and additional (secondary) capitals.
3. The elements of the core (primary) capital are the authorised capital, the retained earnings and other elements defined by the Central Bank.
4. The elements of the additional (secondary) capital shall be defined by the regulatory legal acts of the Central Bank. With the purpose of calculating the thresholds specified in part 1 of

this Article, the Central Bank may restrict limit the share of additional capital in the calculation of the total capital.

Article 178. The stocks and the shareholders of the Central Depository

1. For the purposes of amending the Charter of the Central Depository, including reduction of the statutory capital, reorganisation and liquidation of the Central Depository, the prior consent of the Central Bank shall be required.
2. The Central Depository may not issue preferred stocks.
3. Pledging of stocks of the Central Depository shall be prohibited.
4. The provisions of Articles 54-57 of this Law shall apply with regards to acquisition of qualifying holding in the Central Depository.
5. Persons providing investment services may not directly or indirectly own over 50 per cent of voting stocks of the Central Depository or have an actual opportunity or opportunity enshrined by a contract to essentially influence the Central Depository.

Article 179. Management of the Central Depository

1. A member of the supervisory board of the Central Depository may not be a member of the executive body of the Central Depository at the same time. The executive officer or a member of the supervisory board, executive body or the revision commission of the Central Depository (hereinafter referred to as the “Executive officer of the Central Depository”) may not be the person which:
 - (1) has been declared having no active legal capacity or limited active capacity as prescribed by law;
 - (2) does not have professional qualification prescribed by this Law;
 - (3) is deprived of the right to hold positions in financial, economic and legal fields by a criminal judgment — in cases when it is explicitly stated in the criminal judgment;
 - (4) has been declared bankrupt and has outstanding (unremitted) liabilities;

(5) has previously committed an act, which in the opinion of the Central Bank, substantiated by the guidelines prescribed by the regulatory legal acts of the Central Bank, provides grounds to assume that the given person, as an executive officer of the Central Depository, is not capable to duly manage the corresponding area of the Central Depository's activities, or the actions thereof may result in bankruptcy of the Central Depository or deterioration of its financial position or harm its reputation and business image.

2. The executive officer or an employee of the Central Depository (except for a member or the chairperson of the supervisory board) shall not have the right to be the executive officer, an official, an employee of or a participant in any person providing investment services.

3. The Central Bank shall have the right to define by its decision requirements which are necessary for drawing a clear distinction between the competences of the management bodies and the executive officers of the Central Depository.

Article 180. The rules of the Central Depository and the registration thereof

1. In order to ensure proper performance of its functions the Central Depository shall be obliged to adopt rules, which shall at least include:

(1) the procedure for custody of securities, the procedure for opening and maintaining securities accounts;

(2) the procedure for the provision of services connected with the exercise of rights and fulfillment of obligations arising from securities;

(3) the procedure for granting identification codes of securities;

(4) the requirements for the settlement system;

(5) the requirements for the members of the settlement system;

(6) the procedure and terms for the membership in the settlement system, suspension, termination and deprivation of the membership;

(7) the description of assets used for execution of the transfer orders;

(8) the procedure for fulfillment of mutual claims and obligations arising in the result of transactions in securities, the description of actions of the Central Depository in case of

technical malfunctioning of the settlement system or malfunctioning thereof due to other reasons;

(9) the procedures for the methods ensuring execution of transfer orders, establishment and use of guarantee funds;

(10) the terms of the irrevocability of final settlement including the moment of receiving transfer orders and the moment after which their revocation becomes impossible;

(11) the rights and responsibilities of the members of the Central Depository and the settlement system;

(12) the procedures for making amendments and supplements to the rules of the Central Depository, as well as the procedures for bringing appeals against those amendments and supplements;

(13) the tariffs of services provided by the Central Depository;

(14) rules of ethics and conduct.

2. Prior to adopting its rules the Central Depository shall be obliged to provide the interested parties an opportunity to submit proposals, comments and arguments with regard to the rules.

3. The rules of the Central Depository, amendments or supplements thereof (hereinafter referred to as the “rules”) shall be submitted for registration by the Central Bank.

4. For the purpose of registering the rules the Central Depository shall submit a petition (application) to the Central Bank, the form of which is defined by the Central Bank. The drafts of the proposed rules as well as substantiation for the implementation thereof shall be submitted attached to the petition.

5. The Central Bank may request additional information and documents from the Central Depository with the purpose of evaluating the accuracy and authenticity of the documents specified in part 4 of this Article. The Central Depository shall be obliged to submit the requested information and documents within five working days upon receiving the request specified in this part.

6. The Central Bank shall take a decision to register or reject the registration of the rules within 45 days upon receiving the petition.

7. The Central Bank shall reject registration of the rules, where the submitted rules, information or documents contradict the law and other regulatory legal acts, contain misleading, incomplete or contradictory data or in the reasonable opinion of the Central Bank the proposed rules do not ensure effective functioning of the Central Depository.

8. Where in the reasonable opinion of the Central Bank the Central Depository fails to perform the functions or to comply with the requirements prescribed by its rules or ensure observance of the requirements defined by its rules, or such rules or actions are necessary for protection of the investors, the Central Bank shall have the right to order, by its decision, the Central Depository to adopt a certain rule (rules) or take a certain decision within the scope of its competence or take other action in the manner and within time-limits prescribed thereof.

9. The rules shall enter into force starting from the day of being registered by the Central Bank, unless a later date for the entry into force is set by the rules. The Central Depository shall be obliged to publish the rules on its official internet website within three working days after registration of the rules by the Central Bank. The rules may be published only upon being registered by the Central Bank.

Article 181. Maintenance and protection of information available at the Central Depository

1. The Central Depository shall, as prescribed by the Central Bank, take respective administrative, technical and software measures with the purpose of ruling out maintenance and unauthorized use, destruction or change of information available at the Central Depository.

2. Where the registration of the Central Depository and/or the licence thereof is revoked, the whole information available at the Central Depository, including the register, shall be transferred to another person having a licence of the Central Depository or to the Central Bank in the manner, form and within time-limits prescribed by the Central Bank.

Article 182. The reports of the Central Depository

1. The Central Depository shall be obliged to submit reports to the Central Bank, including its quarterly reports and annual financial reports approved by an independent audit opinion —

in the form, manner and within time-limits prescribed by the regulatory legal acts of the Central Bank.

2. The Central Depository shall be obliged to publish information in the manner, form and within time-limits prescribed by the regulatory legal acts of the Central Bank.

3. The Central Bank shall have the right to request any other report, statement of information or explanation of the Central Depository, members of the settlement system or any other reports, statements of information or explanation on their activities, which is necessary to exercise the competences defined by this Law.

4. The Central Depository shall submit the requested information and/or documents to the Central Bank within five working days upon receiving the request specified in part 3 of this Article.

Article 183. The controlling competence of the Central Depository

1. The Central Depository shall control the process of provision of services relating to clearing and final settlement of transactions in securities, as well as services relating to custody of securities — with the purpose of revealing violations by the custodians and members of the settlement system.

2. The Central Depository shall exercise control over solvency of members of the settlement system with the purpose of managing the risks of nonperformance of the obligations thereof by the latter.

3. The methods for exercising the control specified in parts 1 and 2 of this Article shall be prescribed by the rules of the Central Depository.

Article 184. Registration and licensing of the Central Depository

1. For state registration and licensing of the Central Depository the founders thereof shall, in the form, manner and with the content prescribed by the regulatory legal acts of the Central Bank, submit to the Central Bank the following:

(1) an application for registration and licensing;

- (2) the business plan of the Central Depository;
- (3) the Charter of the Central Depository approved by the founders' meeting of the Central Depository — in 6 copies;
 - (3.1) the application for registration of the trade name of the Central Depository, the requirements therefor, the list of the documents submitted therewith, as well as relations pertaining to the consideration of the application and the registration of the trade name and the amendments thereto shall be regulated as jointly prescribed by the Central Bank and the authorised body of the Government of the Republic of Armenia;
- (4) information on the shareholders (participators) of the Central Depository;
- (5) the decision of the board of founders of the Central Depository on appointment of executive officers of the Central Depository;
- (6) information on the executive officers of the Central Depository, certified samples of the signatures of the executive officers, copies of their certificates of professional qualification;
- (7) documents prescribed by this Law and the regulatory legal acts of the Central Bank adopted based thereon to obtain prior consent for the authorised holding of the persons with qualifying holding in the Central Depository;
- (8) for the legal persons with authorised holding in the Central Depository — financial statements for the previous three years approved by an independent audit opinion;
- (9) information on persons with qualifying holding in the Central Depository and persons affiliated therewith;
- (10) drafts of the rules of the Central Depository;
- (11) the document verifying the payment of authorised capital of the Central Depository on the account opened in the Central Bank or in any other bank not affiliated with the Central Depository and operating in the territory of the Republic of Armenia;
- (12) state duty payment receipt;
- (13) other documents prescribed by the regulatory legal acts of the Central Bank.

2. The Central Bank may request additional information and documents necessary for the evaluation of authenticity of information and documents provided for in part 1 of this Article. The Central Bank may by its regulatory legal acts define exceptions for the submission of

some documents and information provided for by part 1 of this Article, for non-resident qualifying shareholders and executive officers, if the possibility of submission of such documents or information is restricted by the legislation of the given country or does not apply to the given person.

3. If during the consideration of the application changes occur in the information required by the submitted application and attached documents, the applicant shall be obliged to submit the amended information prior to the adoption of a decision by the Board of the Central Bank to register and grant a licence or to reject the registration and granting the licence. In such a case the application shall be considered submitted upon receipt of the amended information and documents by the Central Bank.

4. The Board of the Central Bank shall take a decision on the registration of the Central Depository and issuance of the licence, where the submitted documents and information are in conformity with this Law, other laws and legal acts, and there are no grounds prescribed by this Law for rejecting the registration of the Central Depository and granting the licence.

5. The Central Bank shall be obliged to give the registration certificate and the licence to the Central Depository within a period of five days from the moment of taking the decision on registration and issuance of the licence.

6. The Central Bank shall register and license the Central Depository or reject the registration and licensing within a period of two months from the moment of receiving the documents prescribed by parts 1-3 of this Article.

7. The Central Bank shall, within a period of five days after the adoption of a decision on registration of the Central Depository, notify thereof the state authorised body carrying out registration of legal persons, for the latter to make a relevant record on the registration of the Central Depository.

8. The Central Depository shall acquire the status of a legal person from the moment of being registered at the Central Bank.

(Article 184 supplemented by HO-145-N of 8 June 2009, amended by HO-151-N of 19 March 2012)

Article 185. Grounds for rejecting the application for registration and licensing

The Board of the Central Bank may reject registration and licensing of the Central Depository, where:

- (1) false or deficient documents have been submitted or unreliable information has been reflected in the documents submitted;
- (2) the executive officers of the Central Depository do not meet the requirements prescribed by this Law and the regulatory legal acts of the Central Bank;
- (3) the Central Depository does not meet the requirements prescribed by this Law and other legal acts;
- (4) the charter of the Central Depository contradicts the law;
- (5) the rules of the Central Depository contradict this Law and other legal acts adopted based thereon, or the provisions of the rules are not accurate and sufficiently clear, as a result of which the normal functioning of the market and/or of the settlement system or the interests of the investors may be endangered;
- (6) the Central Bank has rejected or rejects even one of the applications for obtaining prior consent for acquisition of qualifying holding in the Central Depository;
- (7) the submitted business plan does not comply with the requirements prescribed by this Law and the regulatory legal acts of the Central Bank;
- (8) in the reasonable opinion of the Central Bank, the business plan of the Central Depository is unrealistic, or the Central Depository may not ensure the normal functioning of the market by acting in compliance with the plan;
- (9) in the reasonable opinion of the Central Bank, the activities, financial position, reputation or expertise of the founders of the Central Depository or the persons affiliated therewith may endanger the interests of investors or may hinder organisation of normal functioning of the settlement system by the Central Depository or carrying out proper control by the Central Bank;
- (10) the minimum amount of the authorised capital defined by the Central Bank has not been paid.

Article 186. State duty

For issuance of a licence of Central Depository, a state duty shall be charged in the manner and amount prescribed by the Law of the Republic of Armenia “On state duty”.

Article 187. Business plan

1. The business plan shall be drawn up for the upcoming three years and shall contain detailed description of the systems that perform clearing and final settlement, inner organisational structure, places of operation of the Central Depository, the applied information technologies and other technical resources, and economic indicators thereof, and other information prescribed by the regulatory legal acts of the Central Bank.

2. In the course of its activities, the Central Depository shall, in the manner, form and within time-limits prescribed by the regulatory legal acts of the Central Bank, submit to the Central Bank the report on the implementation of the business plan submitted during the registration and licensing processes.

3. The Central Depository shall be obliged, in the manner, form and within time-limits prescribed by a regulatory legal act of the Central Bank, to submit to the Central Bank the business plan for three years and amendments thereto.

Article 188. Revocation of the licence in cases of liquidation, reorganisation, bankruptcy of the Central Depository and in other cases prescribed by law

The Board of the Central Bank shall revoke the licence of the Central Depository, not as a sanction, on the grounds of liquidation, reorganisation, bankruptcy and on other grounds prescribed by law.

Article 189. Revocation of the licence and legal consequence thereof

1. The licence may be revoked, where:

(1) the Central Depository has not been operating for 12 months continuously after obtaining the licence;

- (2) normal and lawful functioning of the securities market is endangered in the result of actions or omissions of the Central Depository;
- (3) the activities or omissions of the Central Depository have led to the leakage of information not subject to publication or provision under the procedure prescribed;
- (4) grounds prescribed by Article 185 of this Law have emerged;
- (5) when applying for the licence, the Central Depository has submitted to the Central Bank misleading or unreliable information or false documents;
- (6) the Central Depository has published or submitted to the Central Bank misleading, unreliable information or false documents;
- (7) the Central Depository or its executive officers have committed periodic (two and more) or material violations of the requirements of this Law, other laws and regulatory legal acts adopted based thereon, as well as the rules of the Central Depository;
- (8) the Central Depository failed to accomplish the assignments given by the Central Bank pursuant to this Law within the defined time-limit or volume;
- (9) the thresholds of the authorised capital or the total capital prescribed by this Law and the regulatory legal acts of the Central Bank has been violated in the amount prescribed by the regulatory legal acts of the Central Bank.

2. Where the grounds prescribed by point 4 of part 1 of this Article have emerged, the Central Bank may assign the Central Depository to eliminate, within a certain time-limit, the grounds for revoking the licence.

3. The licence may be revoked based on the application of the Central Depository, unless otherwise prescribed by this Law.

4. The Board of the Central Bank may reject the voluntary termination of the Central Depository's licence or not declare the licence revoked, where:

- (1) termination of the licence shall deprive the securities market of the only vitally significant service;
- (2) termination of the licence may significantly disorder or pose an obvious threat to secure and effective functioning of the settlement system of the transactions in securities.

5. The Board of the Central Bank shall, within 30 days after receiving the application provided for by part 3 of this Article, take a decision on revoking the licence or rejecting the application.
6. Where the licence is revoked, it should be returned to the Central Bank within a period of three days.
7. Starting from the day the decision on revoking the licence enters into force, the Central Depository shall be deprived of the right to perform the functions provided for by the licence and shall be subject to liquidation as prescribed by law.
8. The decision of the Board of the Central Bank on revoking the licence on the grounds prescribed by this Article shall be immediately published. The specified decision shall enter into force from the day of its publication, unless other date is prescribed by the decision.
9. The copy of the decision of the Board of the Central Bank on revoking the licence shall be provided to the Central Depository within a period of three days after adoption thereof. The appeal to the court against the decision of the Board of the Central Bank on revoking the licence shall not suspend the effect of that decision during the entire course of court examination of the case.

Article 190. Regulation of prices of the services

1. The prices of the services of the Central Depository shall be regulated by the Central Bank. The Central Bank, shall, at the initiative of the Central Depository or at its own initiative, set maximum amounts of the prices of the services of the Central Depository.
2. The maximum amounts of the prices set by the Central Bank shall provide an opportunity to cover the reasonable cost of the provided service and to allow for such percentage of profitability which will ensure development of the clearing and final settlement system.
3. The prices and terms of the services shall be open. The possibility to take advantage of discounted prices, which corresponds with the criteria set for the persons having the right to take advantage of such prices, shall be equally provided to any person.

CHAPTER 19

SECURITIES CUSTODY SYSTEM

Article 191. Securities Custody

1. Securities custody (hereinafter also referred to as “the custody”) shall be the activity of securities safekeeping and putting on records and transfer of ownership and other property rights over securities.
2. Where securities safekeeping (custody) is not carried out simultaneously with putting the rights over those securities on records, it shall not be deemed as custody within the meaning of this Law.
3. Securities custodian (hereinafter also referred to as “the custodian”) shall be deemed the person carrying out the custody. The provisions of this Section which refer to custodians and custody shall also apply to the Central Depository and the custody carried out thereby.
4. The specifics regarding the custodians of investment funds and custody of fund’s assets thereby shall be defined by the Law of the Republic of Armenia “On Investment Funds”.

(Article 191 supplemented by HO-271-N of 22 December 2010)

Article 192. Securities Custody System

1. The securities custody system shall be two-level in the Republic of Armenia. The Central Depository shall act as the first level (centralised custodian), and the custodians — as the second level.
2. Each custodian is a subcustodian of the Central Depository with the exceptions prescribed by the regulatory legal acts of the Central Bank. The functions of subcustodians shall be carried out in accordance with the regulatory legal acts of the Central Bank, based on the agreement concluded between the subcustodian and the Central Depository.

Article 193. Requirements for Custodians

1. The custodian shall be obliged, in accordance with the regulatory legal acts of the Central Bank, to offer the clients thereof the following services by agreement:

- (1) opening and maintenance of accounts of the client's securities by registering the period and essential conditions of each transaction related to those accounts;
 - (2) registration of the rights over the client's securities;
 - (3) act as a nominee of the client's securities;
 - (4) transfer of information and documents to the client by the issuer or other custodian, as well as to the issuer or other custodian by the client with the purpose to exercise the rights arising from securities;
 - (5) putting on record the rights over securities and the ownership and other property rights arising from securities, other services related to the attachment, transfer, termination of those rights and registration of other operations.
2. The custodian shall have the right to provide other additional services to the clients thereof in accordance with the regulatory legal acts of the Central Bank.
 3. The custody agreement may unilaterally be rescinded by the client, provided that the custodian should be notified 20 days in advance. In a period of three days after rescinding the agreement the custodian shall be obliged to transfer to the client the securities and funds thereof. The right prescribed by this Provision may not be limited by the agreement.
 4. The custodian shall be obliged to carry out the assignments of the client in good faith and exercise — in the interests thereof — the rights arising from securities, the obligation of exercising or implementing whereof the custodian has undertaken by the agreement.
 5. The Central Bank shall have the right to define by the regulatory legal acts thereof requirements for technical equipment for the clients.

Article 194. Securities Accounts

1. Custody of securities shall be carried out through the securities accounts opened and maintained by custodians of securities as prescribed by this Law, the regulatory legal acts of the Central Bank and the rules of the Central Depository.
2. The securities account is the integrity of the electronic records maintained by the custodian with regard to the account holder, securities registered in the account of the holder,

rights and restrictions over those securities, period of registration and record-keeping of securities, and other information prescribed by the regulatory legal acts of the Central Bank.

3. Any person may hold a securities account.

4. Nominee accounts (as a special type of security accounts) may only be held by custodians, as well as those foreign persons who are entitled to hold — in the name thereof — accounts of securities belonging to other persons, according to the laws of the countries thereof. The securities registered in the nominee account shall not be included in the liquidation assets of the nominee, in the case of the liquidation of the nominee. At the time of exercising the rights, stipulated by the securities (securities-driven), the nominee shall be obliged to follow the instructions of the client (owner of the security). The custodian distinguishes the nominee account by a special note. The Central Bank may define additional requirements for the nominee accounts maintenance.

Article 195. Securities Subject to Mandatory Centralised Registry Maintenance

1. In the Central Depository the following securities are subject to mandatory centralised registry maintenance:

(1) securities admitted to trading on a regulated market, with the exception of securities, prescribed by point 1 of Article 4 of this Law and other cases, prescribed by the legal acts of the Central Bank;

(2) rights for subscription to securities, mentioned in point 1 of this Part, which have been publicly offered to the public.

2. For the purpose of ensuring the requirement, prescribed by part 1 of this Article, the issuer shall sign an agreement with the Central Depository on the centralised registry maintenance.

3. Before the start of public placement of securities, the issuer shall be obliged to conclude an agreement with the Central Depository, prescribed by part 2 of this Article. If the securities which were not publicly offered to the public in the past, are to be admitted to trading on a regulated market, the issuer shall be obliged to conclude an agreement with the Central Depository, prescribed by part 2 of this Article, prior to applying for admitting to trade on a regulated market.

Article 196. The Moment of Transfer of Property Right

The property right towards nominal securities shall be considered transferred from the moment, when it is registered in the Central Depository or by other custodian in the name of the buyer (or its nominee).

Article 197. Provision of List of Holders

1. The issuer shall have the right to require from the Central Depository, at any time, the list of holders of the securities issued thereby.
2. The Central Depository shall be obliged to provide the issuer with the list of holders of securities, issued thereby, within 5 working days from the day of receiving the request, mentioned in part 1 of this Article.
3. Each custodian shall be obliged to provide the Central Depository, upon the request thereof, with the list of holders of securities, being recorded thereby, within 3 working days from the day of receiving such a request.

CHAPTER 20

SECURITIES SETTLEMENT SYSTEM

Article 198. Securities Settlement System

1. The securities settlement system is integrity of administrative, technical and legal measures for the fulfillment of mutual obligations resulting from transactions in securities, and ensuring fulfillment thereof.
2. With the purpose of this Chapter, the order for transfer is the payment orders issued for the fulfillment of obligations resulting from transactions in securities, or assignments or instructions issued for the purpose of transferring the securities.

Article 199. Operational Risk Management

1. The Central Depository shall organize the activities of the settlement system so that at the time of execution of the transfer orders, the data collection, processing and transfer, and other

required processes ensure the execution of transfer orders, in compliance with the conditions mentioned therein and rules of the Central Depository.

2. For the purpose of operational risk management, the Central Depository shall introduce procedures for effective internal control.

3. The Central Depository, the bodies thereof, the executive officers and employees thereof shall be obliged to maintain and not to make the information, which they have obtained in relation to fulfillment of their official responsibilities or cooperation with the Central Bank, available to third parties, if it is not subject to publication or provision to other persons, pursuant to the law, other legal acts or rules of the Central Depository.

Article 200. Members of Settlement System

1. A member of the settlement system is a person, who has concluded an agreement with the Central Depository for the purpose of execution of the transfer orders through the settlement system and in compliance with its rules. The settlement system shall have at least three members.

2. The following persons may be members of the settlement system:

- (1) specialised participants in a securities market;
- (2) the Central Bank;
- (3) operator of a foreign settlement system, specialized participants in a foreign securities market, in cases and procedure, prescribed by the legal acts of the Central Bank;
- (4) other persons, prescribed by the legal acts of the Central Bank.

3. The members of the settlement system shall meet the requirements prescribed by the rules of the Central Depository.

4. In cases and procedure prescribed by the rules of the Central Depository, a member of the settlement system may act as an intermediary between the settlement system and third parties in relation to rendering services of the settlement system.

5. In cases and procedure prescribed by the rules of the Central Depository, a member of the settlement system shall inform interested persons about membership thereof in the system and rules of the settlement system.

Article 201. Irrevocability of Transfer Orders

The transfer order issued to the Central Depository in accordance with the rules of the settlement system shall not be modified or revoked from the moment prescribed by the rules of the Central Depository. All the actions performed following that moment, which aimed at modification or invalidation of the transfer order, are void.

Article 202. Final settlement

The final settlement of claims and liabilities between members of the settlement system, as well as members of the Central Depository and the settlement system shall be effected through transfers in accounts. In such cases the final settlement is effected through transfers in respective accounts as a result of calculation of net positions of claims and liabilities of the same type.

Article 203. Ensuring the Final Settlement

1. In order to guarantee the final settlement the Central Depository shall establish a fund of guarantee assets (hereinafter guarantee fund) the composition, grounds and procedure for establishment for which shall be defined by the rules of the Central Depository.
2. The assets of the guarantee fund shall be used, as prescribed by the rules of the Central Depository, to perform the liabilities arised as a result of transactions in securities, if there are no sufficient assets on the account of the member of settlement system for the timely performance of the liabilities or where other guarantee assets of the member of settlement system are not sufficient for the performance of the liabilities.
3. Members of the settlement system may, as prescribed by the rules of Central Depository, envisage the possibility of pledging securities thereof or part of their securities put on records in the custodial system for the benefit of the Central Depository or other members therein provided that such securities are not burdened with the rights of third persons or such securities are not subject to any restrictions stipulated by the charter of the issuer.

4. In case of failure to perform the liabilities arising from the transactions in securities, the Central Depository or the member of the settlement system to the benefit of which the securities were pledged, may transfer the securities pledged in accordance with point 3 of this Article to their accounts for the purpose of performing liabilities of the pledger, unless other procedure pertaining to realisation of the pledge provided for by the rules of the Central Depository. The person to the benefit of which the securities were pledged shall have such right if a bankruptcy proceeding is filed against the member failed to perform the liabilities.
5. Pursuant to point 3 in this Article the pledged securities shall not be included in the liquidation assets of the pledger.

Article 204. Special Rules Pertaining to Bankruptcy of Members of Settlement System

1. In the event of insolvency of any member to the settlement system, the Central Depository shall continue the acceptance of the transfer orders issued by that member. If in the course of activities of the interim administration satisfaction of claims of creditors of the member of the settlement system is frozen (declaration of moratorium), the Central Depository shall immediately suspend acceptance of the transfer orders issued by that member as prescribed by the rules of the Central Depository. In case of bankruptcy of the member of the settlement system, the Central Depository shall immediately terminate acceptance of the transfer orders issued by that member as prescribed by the rules of the Central Depository.
2. The Central Bank shall notify the Central Depository within a period of one working day from the moment of taking the decision on insolvency, moratorium or bankruptcy of the member of the settlement system.
3. Transfer orders, submitted to the Central Depository within the period starting from the declaration of bankruptcy of and moratorium on the member of the settlement system and until the date of receiving the notification provided for by point 2 of this Article, may be executed, if the Central Depository was not aware and couldn't have been aware of the fact of bankruptcy of the member of the settlement system or declaration of the moratorium.

4. In the event of bankruptcy of the member of the settlement system the payments made to the guarantee fund shall not be included in the liquidation funds of the member of the settlement system.

Article 205. Consequences of Central Depository Bankruptcy

1. The Central Depository shall be obliged to immediately terminate acceptance of transfer orders where the Central Depository is declared bankrupt.
2. The Central Depository shall be obliged to immediately notify the Central Bank about the case specified in part 1 of this Article.

SECTION 6

CONTROL AND SANCTIONS

CHAPTER 21

CONTROL AND LIABILITY FOR VIOLATING REQUIREMENTS OF THIS LAW

Article 206. Common Grounds of the Competence to Exercise Control and Apply Sanctions

1. The control over fulfillment of requirements of this Law, as well as other legal acts adopted based thereon shall be performed by the Central Bank.
2. The Central Bank shall, within the scope of its competence, exercise control over persons providing investment services in the territory of the Republic of Armenia, persons engaged in public offering of securities in the territory of the Republic of Armenia, reporting issuers, operators of the regulated market, Central Depository, as well as their directors and other executive officers, persons qualified as professional participants acting within the Central depository or on their behalf, qualifying shareholders, and persons, directly or indirectly, involved in major transactions executed in securities market.

3. The Central Bank shall be entitled to apply sanctions against persons listed in part 2 of this Article in cases provided for by law.
4. The competence to control shall be performed by the Central Bank through off-site control and inspections.
5. The Central Bank shall perform off-site control and inspections pursuant to the provisions of this Law, the Law of the Republic of Armenia “On the Central Bank of Armenia” and in the manner and conditions prescribed by the regulatory legal acts of the Central Bank.
6. The provisions of this Chapter shall not apply to investment funds, managers of the investment funds, executive officers thereof and persons acting within or on behalf thereof and subject to qualification by the Central Bank. The relations pertaining to the control and liabilities of persons provided for by this part shall be regulated by the Law of the Republic of Armenia “On Investment Funds”.

(Article 206 supplemented by HO-271-N of 22 December 2010)

Article 207. Off-site Control of the Central Bank

1. For the purposes of exercising off-site control, the Central Bank, by its regulatory legal acts prescribes the procedure and time-limits for submission of reports, statements of information, explanatory notes and such other documents provided for by this Law and regulatory legal acts of the Central Bank. An electronic means of submission of documents provided for by this Point may be established.
2. The reports, statements of information, explanatory notes and such other documents shall be made available to the public as prescribed by the Central Bank, unless otherwise prescribed by this Law. The Central Bank is entitled to define exceptions to this rule if it finds that public disclosure of such documents may endanger the legitimate interests of investors, or result in disclosure of state, banking, trade secret or work related information.
3. In cases when the persons specified in part 2 of Article 206 of this Law fail to submit documents provided for by part 1 of this Article, or if they submit such documents with delay or in any other material violation of the established procedure, or if the documents are incomplete, the Central Bank, with prior notice and opportunity for hearing, issues a warning

to eliminate the violation during the period defined by the Central Bank and/or assignment to take measures for preventing such violations in future.

Article 208. Central Bank Inspections

1. The Central Bank shall carry out inspections upon necessity in conformity with the procedure and periodicity prescribed by the legislation. The Central Bank shall have the right to develop an inspection schedule (scheduled inspections) and/or the right to conduct inspections upon necessity.
2. Where persons specified in part 2 of Article 206 of this Law hinder the inspections or fail to provide the documents required during the inspection, the Central Bank, with prior notice and opportunity for hearing, issues a warning to that person(s) by assigning to eliminate the violation within the period defined by the Central Bank and/or take certain measures to prevent such violations in future.

Article 209. Competence to Apply Sanctions

1. In cases of violation of this Law and requirements of other legal acts regulating securities market, the Central Bank shall be entitled to apply the following sanctions:
 - (1) warning to correct the violation and (or) assignment to prevent such violations in the future (hereinafter also referred to as “warning”);
 - (2) fine;
 - (3) revocation of licence;
 - (4) deprivation of the professional qualification.

The Central Bank shall have the right to apply fine in line with issuing a warning for each violation.

2. Sanctions shall be applied as prescribed by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.
3. Engaging in activities provided in Article 162 and part 2 of Article 171 shall incur for individuals liability envisaged by this Law unless such actions incur criminal liability according to the legislation in force.

Article 210. The Warning

1. Where a person violates this Law, other legal acts adopted based thereon regulating the securities market, the Chairman of the Central Bank is entitled, to issue a warning by its decision.
2. The decision to issue a warning shall enter into force on the date of entering thereof to the addressee's registered office or place of residence (in case of natural persons), submitted or delivered to the place of location or residence stated or from the moment of notifying them in a proper manner and is subject to mandatory fulfillment by the warned person. The warning may include instructions of measures necessary to bring the activities of the warned person in line with laws and other legal acts.
3. The warning shall be substantiated through written statement of the reasons thereto, including the facts that served as grounds for the decision of the Central Bank. The actions of a person, which may lead to violation of the laws and other legal acts regulating securities market, may serve as basis for the decision of the Central Bank.

Article 211. Application of Fine

1. Where a person violates this Law, other legal acts adopted based thereon and regulating the securities market, and fails to perform the assignment of the Central Bank issued by the warning, the Chairman of the Central Bank, by his or her decision shall be entitled to apply the fines provided for by this Article.
2. Unless the greater amount for the fine for separate violations is provided for by this Chapter or other laws, the amount of the fine shall not exceed:
 - (1) one thousand times the minimum salary for natural persons;
 - (2) two thousand times the minimum salary for legal entities.
3. Additional fines shall be charged for continuous violations: for each day of each violation no more than:
 - (1) one hundred times the minimum salary for natural persons;
 - (2) two hundred times the minimum salary for legal entities.

3.1 For actions provided in Article 164 if no profit is gained, as well as for actions provided in point 2 of Article 171 if no damage is caused, fine shall be imposed:

1) in the amount of up to 800 fold of minimum salary against directors and other managers, natural persons acting in the management or on behalf of thereof based on professional qualification and qualified holder of securities public offeror, which is a non reporting issuer, and Central Depository, and against individuals directly or indirectly involved in major transactions, and in the amount of up to 1000 fold of minimum salary against directors and other managers, natural persons acting in the management or on behalf of thereof based on professional qualification and qualified holder of investment service provider, regulated market operator and reporting issuer;

2) against legal entities up to 4000 fold of minimum salary and up to 5000 fold of minimum salary against investment service provider, regulated market operator and reporting issuer legal entities.

3.2. For actions provided in Article 164 if profit is gained, as well as for actions provided in point 2 of Article 171 if damage is caused fine shall be imposed:

1) in the amount of 200% of profit or damage but no more than 10 000 fold of minimum salary against directors and other managers, natural persons acting in the management or on behalf of thereof based on professional qualification and qualified holder of securities public offeror, which is a non reporting issuer, and Central Depository, and against individuals directly or indirectly involved in major transactions, and in the amount of 300% of profit or damage but no more than 10 000 fold of minimum salary against directors and other managers, natural persons acting in the management or on behalf thereof based on professional qualification and qualified holder of investment service provider, regulated market operator and reporting issuer.

2) in the amount of 250% of gained profit or caused damage but no more than 30 000 fold of minimum salary against legal entities and in the amount of 350% of gained profit or caused damage but no more than 10 000 fold of minimum salary against investment services provider, regulated market operator and reporting issuer legal entities.

3.3 For continuing offences provided by Articles 162 and 171 additional fine is imposed for each offence in the amount of no more than:

1) 150 fold minimum salary against directors and other managers, natural persons acting in the management or on behalf thereof based on professional qualification and qualified holder of securities public offeror, which is a non reporting issuer, and Central Depository, and against individuals directly or indirectly involved in major transactions and 200 fold minimum salary against directors and other managers, natural persons acting in the management or on behalf thereof based on professional qualification and qualified holder of investment service provider, regulated market operator and reporting issuer.

2) 400 fold of minimum salary against legal entities and 600 fold of minimum salary against investment services provider, regulated market operator and reporting issuer legal entities.

4. When determining the amount of the fine the Central Bank shall take into consideration:

(1) the nature of the violation (existence of intent, indifference or negligence);

- (2) existence and the size of damage caused to other persons by the violation;
- (3) the extent of unjust enrichment taking into account indemnities given to other persons;
- (4) the circumstance whether such person has previously committed or has been liable for the same or other violation, and the size and nature of the previous liability;
- (5) the extent of the necessity to exclude future violations by the same or other persons, etc..

5. The fines prescribed by this Article shall be charged to the State budget. In cases of failure of payment these fines shall be charged by judicial procedure, based on the claim of the Central Bank.

In cases of actual or possible insufficiency of the funds, the fines shall be charged after satisfaction of claims on civil actions, and after payment of other fines and penalties prescribed by other laws.

6. For the purpose of this Article profit shall be the difference between securities price established as a result of improper use of inside information and market price established within reasonable time period after publication of inside information.

7. For the purpose of this Article damage shall be the difference between securities price established as a result of price manipulation and securities market price established within reasonable time period after suspension of actions considered as price manipulation.

8. Central Bank may define profit and loss calculation methodology, which is published on the official website of the Central Bank.

Article 212. Revocation of the Licence

The licence of persons licensed in accordance with the provisions of this Law shall be revoked by the decision of the Board of the Central Bank in cases provided for by this Law.

Article 213. Deprivation of the professional qualification

The persons qualified as professional participants in accordance with Article 50 of this Law shall be deprived of the professional qualification by the decision of the Board of the Central Bank in cases provided for by this Law.

Article 214. Additional Liability

The liability provided for by this Chapter shall be applied together with any other type of liability prescribed by the law (criminal, administrative, civil, etc.) as main or additional liability.

CHAPTER 22

CIVIL LIABILITY

Article 215. The Liability for Distortion of Information

1. Any person, who distorts (omits) or otherwise misleads any material fact in any provision contained in any application, prospectus, report or any such other documents provided for and submitted by this Law and regulatory legal acts adopted in accordance with this Law, or in any provision included therein or attached thereto (in announcement or information), shall be liable for damages caused to a person, which being unaware of the fact that the information is distorted or misleading, in reliance upon such information purchased or sold a security at the price, which was affected by the given information.

2. With a purpose to determine the issue of indemnification of actual damages caused to the buyer, the misrepresentation of the buyer is considered to be caused by the fault of the person, which has performed the actions provided for by part 1 of this Article, unless it is proven that the latter has been acting in good faith and were not aware of distortion or omission of the information in question.

3. Any person, who discloses information deemed protected under this Law or fails to perform the obligation to keep such information confidential, shall bear liability for any damage caused to the client as a result of such violation. Moreover, the insufficiencies in technical means or organisational rules undertaken by an investment company for ensuring proper maintenance of information deemed protected shall not be serve as ground for property liability prescribed by this part.

4. Limitation period for such claims is one year after disclosure of the above mentioned distortion (omission), but not later than 3 years from the day the document containing such provision was submitted.

Article 216. The Liability of Executive Officers

1. The member of the board of directors (member of such other body), the executive director (member of executive body), the member of the audit body or other official (executive officer of subdivision or advisor) of the reporting issuer shall, when exercising their rights and performing official duties, act in a good faith and with due care, that would be exercised by a person holding an equivalent office and leading the private business thereof under equivalent conditions, as well as take such decisions, which in the opinion thereof are determined first of all by the interests of the issuer and the holders of the securities thereof.

2. The member of the board (such other body) or the executive body (if that body adopts decisions by voting) of a reporting issuer when voting in favor of any decision in violation of the obligations prescribed by part 1 of this Article, or any director (member of the executive body) or any official (head of the sub-division or advisor) of a reporting issuer when adopting a decision or providing advice in written form in violation of the obligations prescribed by part 1 of this Article, shall bear joint and several liability (with other persons who have voted for or adopted such decision, or provided such advice) for any damage caused to the issuer by such decision or advice, except for cases provided for by part 3 of this Article.

Indemnification for such damage may be claimed, by judicial procedure, by the issuer, and if the latter refuses to do so, by any owner of securities of the issuer admitted to trading on a regulated market.

3. Persons specified in part 2 of this Article (hereinafter in this part referred to as liable person) shall be exempt from the liability prescribed by the same part, where:

(1) the liable person (except for the person who has taken the decision individually — to the extent of his or her decision, and the advisor to the extent of his or her advice):

a. has refused to perform requirements of such decision within the scope of the official duties thereof;

b. has notified in a written form, within a period of 3 days following the day the decision was taken, the Central Bank and board members of the issuer (such other body) by announcing that the latter does not assume any liability for the decision or for any consequences of its relevant part;

(2) proves that such decision or advice is compelled by law or other legal acts;

(3) proves that when voting in favor of the decision, or taking such decision, advising or performing official duties thereof, the latter was not aware that it might cause damages and relied on information, expert opinion, reports or manuals (documents), which were developed or recommended by:

a. one or more officials or employees of the issuer within the scope of the official duties thereof;

b. employee of the issuer or legal advisor, accountant, auditor, financial advisor or other person with the right to provide expert opinion to the issuer on contractual basis, except for the cases provided for by part 4 of this Article.

4. A liable person shall not be exempted from the liability on the ground prescribed by point 3 of part 3 of this Article, where proved that:

(1) the latter had been aware of such mistake or bad faith in the documents provided for by point 3 of part 3 of this Article which resulted in infliction of the damage;

(2) the position and knowledge of the subject thereof, in case of sound survey would have allowed the latter to reveal the mistake or bad faith or the inevitability of the damage, but the latter had not conduct the research in good faith.

5. Limitation period for such claims shall be one year from the date such violation is identified, but not later than three years from the day of committing the violation.

Article 217. Liability for Price Manipulation

1. Any person, which with direct or indirect intention, has performed activities or transactions prohibited under Article 171 of this Law, shall bear joint and several liability for damages caused to any person, who has purchased or sold securities at a distorted price as a result of the above activity or transaction.

2. Limitation period for such claims shall be one year from the date such violation is identified, but not later than three years from the day of committing the violation.

Article 218. The Liability of Supervising Persons

1. Any person, who by the virtue of (through) stock ownership, contract or arrangement or otherwise (independently or together with other persons), directly or indirectly supervises

(controlling person) a person (controlled person) bearing civil liability under this Law, shall bear joint and several liability together with the controlled person to the persons to which the controlled person bears liability, except for the cases when the controlling person has acted in good faith and has not been aware of the fact of violation, and upon being informed, notify the Central Bank thereon, and took actions to the extent possible to prevent the violation or continuity thereof.

2. No person shall be liable for the sole reason of being the employer of the person which is bearing civil liability under this Article, except for the supervising persons, which bear liability according to part 1 of this Article.

Article 219. Additional Liability

The rights and liability prescribed by this Chapter shall not limit the execution of the rights and imposition of the liability prescribed by other laws.

SECTION 7

OTHER PROVISIONS

Article 220. Suspension of Time-Limits Prescribed by Law

1. The time-limits prescribed by this Law for registration and licensing, putting on record, providing prior consent, providing consent, registration, approval or adoption of any legal act on the basis of this Law may be suspended by the Central Bank for the purpose of clarifying certain facts required by the Central Bank but for a period of no longer than 6 months.

2. Where the Central Bank, within the time-limits prescribed for registration and licensing, putting on record, providing prior consent, providing consent, registration, approval or adoption of any other legal act, fails to reject the application, petition, request or any other motion submitted or inform the person about suspension of the specified period the legal acts shall be deemed adopted by the Central Bank.

Article 221. Registration of Changes

1. Investment companies operating in the territory of the Republic of Armenia, including branches and representative offices of foreign investment companies, the operator of the regulated market and Central depository shall be obliged to submit the following changes to the Central Bank for registration within a period of 10 days after the occurrence thereof:

- (1) amendments and/or supplements to the charter;
- (2) changes in the composition of executive officers (except for heads of structural subdivisions);
- (3) other changes prescribed by the law or regulatory legal acts of the Central Bank.

2. The Central Bank shall register or reject the registration of the changes provided for by part 1 of this Article within a period of 30 days after receiving the documents submitted for the registration purposes.

3. The Central Bank shall register the changes, if the latter do not contradict laws or other legal acts and were submitted pursuant to the requirements of the regulatory legal acts of the Central Bank.

4. The procedure and form of submitting the changes for registration shall be prescribed by the regulatory legal acts of the Central Bank.

5. The changes provided for by this Law and regulatory legal acts of the Central Bank shall enter into force upon their registration by the Central Bank.

6. In case of increase of the authorised capital investment companies operating in the territory of the Republic of Armenia, operator of the regulated market and the Central Depository shall open a cumulative account in the Central Bank or any commercial bank operating in the Republic of Armenia, which is not affiliated to the given person. The funds of the cumulative account shall be frozen by the Central Bank or commercial bank and the person shall not be able to possess, dispose and use those funds before registration of the changes in the Central Bank as prescribed by this Article.

7. The Central Bank shall, within five working days upon the registration of the change of the trade name of the investment company, operator of the regulated market and the Central Depository, notify the state authorised body carrying out registration of legal persons, for the

latter to make relevant record on the change of trade name of the investment company, operator of the regulated market and the Central Depository.

(Article 221 supplemented by HO-145-N of 8 June 2009)

SECTION 8

ENTRY INTO FORCE OF THE LAW TRANSITIONAL PROVISIONS

Article 222. Entry into Force and Application of the Law and Separate Norms Thereof

1. This Law shall enter into force after four months following its official promulgation, except for this Section and the provisions of this Law provided for by this Section which shall enter into force on the tenth day following the day of its official promulgation.

2. The Armenian Stock Exchange, self-regulatory organisation and the Central Depository of Armenia, self-regulatory organisation shall convert into joint-stock companies.

3. The Armenian Stock Exchange, self-regulatory organisation and the Central Depository of Armenia, self-regulatory organisation shall — within one day after rendering the decision on conversion but not later than on the twelfth day of official promulgation of this Law — notify in written form all of the creditors thereof. Creditors of the Armenian Stock Exchange, self-regulatory organisation and those of the Central Depository of Armenia, self-regulatory organisation shall have the right to require additional guarantees for fulfillment of obligations, termination or early performance of obligations, as well as compensation for damages within a period of 7 days after notification.

4. The stocks of the converted companies shall be equally distributed as of the date of the decision on conversion among the members of the Armenian Stock Exchange, self-regulatory organisation and the Central Depository of Armenia self-regulatory organisation respectively. Total nominal value of the placed stocks shall be equal to:

(1) the net assets of the self-regulatory organisation (hereinafter net assets) as of the last day of the last quarter preceding the conversion, if such amount is not smaller than the minimal amount of authorised capital of open joint-stock companies prescribed by the Law of the

Republic of Armenia “On Joint-Stock Companies”. In this case upon acquisition of stocks of a converted company persons entitled for such acquisition shall not make any payment;

(2) the difference between the minimum authorised capital as it is defined for open joint-stock companies by the Law of the Republic of Armenia “On Joint-Stock Companies” and the actual value of net assets, if the value of net assets of the given self-regulatory organisation is a positive value but is smaller than the minimum amount of authorised capital prescribed for open joint-stock companies by the Law of the Republic of Armenia “On Joint-Stock Companies”. In this case the total payment made upon acquisition of stocks of a converted company by a person entitled for such acquisition shall be equal to difference between the minimum authorised capital of open joint-stock companies as required by the Law of the Republic of Armenia “On Joint-Stock Companies” and the actual value of net assets.

5. If the value of net assets of the self-regulatory organisation is negative, the total nominal value of placed stocks shall be equal to the minimum authorised capital prescribed for open joint-stock companies by the Law of the Republic of Armenia “On Joint-Stock Companies”.

6. In cases prescribed by point 2 of part 4 and part 5 of this Article, the members of the self-regulatory organisation shall have the right to pay for issued stocks and acquire such in the amounts prescribed by the these points.

7. In cases prescribed by part 5 of this Article the persons intending to acquire stocks in the given converting company shall, prior to making payment for the stocks and acquisition thereof, invest money in the converting company in question for the purpose of covering the accumulated losses.

8. Where a person fails to exercise the right prescribed by part 6 of this Article, as well as make the investment prescribed by part 7 of this Article, the member of the given self-regulatory organisation shall be obliged to alienate the right prescribed by part 6 of this Article in its entirety to the Republic of Armenia or another person determined by Decree of the Government within a period of at least two days before applying to the Central Bank as prescribed by part 9 of this Article. In this case the obligation for investment in money prescribed by part 7 of this Article shall lie with the Republic of Armenia or the respective person prescribed by the decree of the Government.

9. The Armenian Stock Exchange, self-regulatory organisation and the Central Depository of Armenia, self-regulatory organisation shall apply to the Central Bank for re-registration as

a joint-stock company within a period of 20 days from the day of official promulgation of this Law by submitting the following documents:

- (1) the decision on conversion into an open joint-stock company;
- (2) the Charter in 6 copies;
- (3) the Transfer Act;
- (4) the application for re-registration.

10. The Central Bank shall, based on the documents prescribed by part 9 of this Article and within 5 working days after receiving thereof, re-register the Armenian Stock Exchange, self-regulatory organisation and the Central Depository of Armenia, self-regulatory organisation as open joint-stock companies (hereinafter also referred to as re-registered companies) in a simplified procedure. Registration of the Armenian Stock Exchange self-regulatory organisation and the Central Depository of Armenia, self-regulatory organisation in the state registry of legal entities shall be deemed expired on the date of the re-registration thereof by the Central Bank in accordance with this part.

11. Shareholders of the re-registered companies shall, within a period of 5 days after registration by the Central Bank, alienate stocks owned by them to the Republic of Armenia or respective person prescribed by decree of the Government.

12. The Republic of Armenia may privatise the stocks acquired as prescribed by part 11 of this Article. This part shall be considered an indispensable part of the program on privatisation of state property defined by the Law of the Republic of Armenia “On 2006-2007 Program on Privatisation of State Property”.

13. In the event of failure to apply to the Central Bank for re-registration as prescribed by part 9 of this Article, the Central Bank may apply to court claiming liquidation of the Armenian Stock Exchange, self-regulatory organisation and/or the Central Depository of Armenia, self-regulatory organisation.

14. The re-registered companies shall be obliged to, within 4 months from the day of entry into force of this Law, apply to the Central Bank as prescribed by this Law for registration and licensing as Operator of the Regulated Market and Central Depository, respectively. The Central Bank shall have the right to define exceptions from submission of documents

prescribed by Articles 104 and 184 of this Law and/or distinctions for re-registered companies, executive officers and qualifying holders thereof.

15. In the cases prescribed by part 13 of this Article, liquidation of the Armenian Stock Exchange, self-regulatory organisation and/or the Central Depository of Armenia, self-regulatory organisation (including the disposal of the property upon liquidation) shall be executed in accordance with the requirements prescribed for the liquidation of unions of legal entities by the Civil Code of the Republic of Armenia. The second sentence of sub point “g” of point 2 of Article 92 of the Law of the Republic of Armenia “On Securities Market Regulation” of 6 July 2000 shall be repealed on the tenth day following the promulgation of this Law.

16. For the whole period of conversion, re-registration and licensing, the functions of organizing the trade in securities and foreign currency by stock exchange, and the functions of the centralized custodian, centralized registry and operator of the securities settlement system (clearing and settlement agent of securities transactions) exercised by the Central depository shall continue undisturbed. Prior to registration and licensing pursuant to this Law, the re-registered companies shall continue acting in accordance to their internal rules as far as they do not contradict the provisions of this Law.

17. Specialised persons operating on the basis of the licence granted in accordance with the Law of the Republic of Armenia “On Securities Market Regulation” of 6 July 2000 shall, within four months following the day of entry into force of this Law, be re-registered and licensed as investment companies in compliance with the provisions of this Law. Licences of specialised persons which have failed to re-register or re-license as investment companies pursuant to this Law within four months following the day of entry into force of this Law shall be repealed under this Law. In the cases stipulated hereby, state registration of legal entities shall be carried out by the Central Bank, and registration of specialised persons as legal entities in the state registry of legal entities shall be revoked upon the re-registration thereof with the Central Bank as an investment company. The Central Bank shall have the right to define in the regulatory legal acts thereof exceptions from submission of the documents prescribed by part 1 of Article 36 of this Law and/or distinctions for companies re-registered and re-licensed in accordance with this Point, as well as for executive officers and qualifying shareholders thereof.

18. Prior to the time-limit prescribed by part 17 of this Article, persons licensed to engage in brokerage activities shall have the right to provide the investment services provided for by points 1-4 and 6 of part 1 of Article 25), persons licensed to perform trust management of securities — the investment services provided for by point 5 of part 1 of Article 25, and persons licensed to engage in dealer activities — the investment services provided for by points 4 and 6 of part 1 of Article 25.

19. Specialised persons specified in part 17 of this Article shall — starting from the day of entry into force of this Law until re-registration and re-licensing pursuant to this Law — operate in accordance with the Law of the Republic of Armenia “On Securities Market Regulation” of 6 July 2000.

20. Part 5 of Article 130 of this Law shall apply to the issuers of securities admitted to trading on a regulated market after entry into force of this Law.

21. Securities listed on the stock exchange as of the day of entry into force of this Law shall be considered admitted to trading on the stock exchange or regulated market pursuant to the market rules, where the issuer of the given security submits, within a period of 15 working days from day of entry into force of this Law, an application to the stock exchange for keeping the listing. In case of failure to submit an application for keeping the listing before the time-limit prescribed by this part those securities shall be deemed delisted. The Central Bank shall notify thereon the issuers of the securities listed on the stock exchange within 5 working days following the day of entry into force of this Law.

22. The qualification for carrying out professional activities in the securities market issued as of the day of entry into force of this Law and pursuant to the Law of the Republic of Armenia “On Securities Market Regulation” of 6 July 2000 shall be effective for a period of three years following the entry into force of this Law.

23. Following the day of entry into force of this Law, the legal acts of the Central Bank adopted on the basis of the Law of the Republic of Armenia “On Securities Market Regulation” of 6 July 2000 shall remain effective to the extent they do not contradict the norms of this Law before being repealed.

24. The Law of the Republic of Armenia “On Securities Market Regulation” of 6 July 2000 shall be repealed from the day of entry into force of this Law, except for the cases prescribed by part 19 of this Article.

**President
of the Republic of Armenia**

R. Kocharyan

20 October 2007

Yerevan

HO-195-N