LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 26 May 2008

ON ASSET SECURITISATION AND ASSET-BACKED SECURITIES

CHAPTER 1

GENERAL PROVISIONS

Article 1. Subject matter of the Law

This Law regulates relations pertaining to the asset securitisation and issuance, circulation, discharge of asset-backed securities, establishment, regulation of activities of securitisation funds, termination of activities, bankruptcy, liquidation of securitisation funds, activities of the managers of securitisation funds, as well as supervision of the securitisation process.

Article 2. Legal regulation of securitisation

1. Relations as regards asset securitisation are regulated by this Law, other legal acts adopted based thereon, the Law of the Republic of Armenia "On securities market", the Civil Code of the Republic of Armenia and other laws.

2. This Law does not restrict the right of a person to issue securities secured by asset collateral or otherwise, in accordance with the requirements and procedure prescribed by the legislation of the Republic of Armenia.

Article 3. Main concepts used in the Law

1. The main concepts used in this Law shall be as follows:

assets —funds and/or rights of claim therefor and/or other financial assets among the assets prescribed by the Law of the Republic of Armenia "On accounting" that ensure or may ensure certain cash inflows;

asset-backed securities — securities issued by a securitisation fund pursuant to this Law, which are secured by the pool of assets and the repayments for which primarily depend on the recievables for the assets in the pool of assets;

cover assets for asset-backed securities (pool of assets) — a totality of assets, which ensures a single issuance of securities secured by those assets;

credit enhancement — measures, prescribed by Article 31 of this Law, aimed at increasing liquidity of asset-backed securities, as well as the probability of fulfilling obligations towards the owners of those securities;

debtor — any person that has a contractual obligation to make asset payments directly or indirectly to a securitisation fund;

issuer — a securitisation fund, which issues (has issued) securities or makes an offer for issuing securities on its behalf;

investor — a person that owns the asset-backed security or plans to acquire an asset-backed security;

authorised representative of investors — a person appointed by the Central Bank of the Republic of Armenia (hereinafter referred to as "Central Bank"), that — in cases prescribed by this Law — carries out the management of the assets considered as cover assets;

originator — the initial lender of assets, who sells the assets directly or indirectly to a securitisation fund;

participation certificate — non-equity nominal, non-voting investment security, which provides the holder thereof with a right to unit in incomes received from the pool of assets, in other fees receivable, as well as proceeds received from the realisation of those assets;

residual value — the residual value of the pool of assets, which is the sum of incomes left over after the fulfilment of the obligations of a securitisation fund, arising from the issuance of asset-backed securities, proceeds received from and/or receivable from the realisation of assets or other payments thereon;

securitisation — a process through which the originator or the seller sells assets to a securitisation fund by transferring to the latter all the rights on those assets which need to be transfered, and the securitisation fund issues securities secured by the assets purchased and receivables from those assets;

seller — a person that sells the assets acquired from various originators to a securitisation fund. The originator or the bank, the credit organisation, the investment company may be a seller;

servicer — a bank or a credit organisation or any other commercial organization, that meets the requirements prescribed by this Law, which carries out collection and accounting of payments on assets, transfer thereof to a securitisation fund or provides other services — relating to assets as provided for under service contract— other than the powers reserved to the manager of a securitisation fund or custodian by this Law.

The originator or the seller may also act as a servicer.

Servicing process may involve:

(1) the master or primary servicer, which is responsible for the entire pool of assets, and different sub-servicers shall report thereto;

(2) the sub-servicer, which is responsible for a part of assets in the pool of assets, and which reports to a master servicer;

(3) the backup servicer — a servicer, which shall assume the obligations arising from a service contract signed with a securitisation fund in case the service contract signed with the primary servicer is terminated or the latter fails to fulfil the obligations assumed under the contract.

custodian — the Central depository;

securitisation fund — a non-commercial organisation, which is established and registered as a securitisation fund pursuant to this Law;

manager of a securitisation fund — a commercial organisation, which carries out the management of a securitisation fund as prescribed by this Law.

2. Other concepts provided for in this Law shall be applied within the meaning prescribed by the Civil Code of the Republic of Armenia and the Law of the Republic of Armenia "On Securities Market".

CHAPTER 2

SECURITISATION FUND AND OTHER PARTICIPANTS OF SECURITISATION PROCESS

Article 4. Legal status of a securitisation fund

1. Securitisation fund is a non-commercial organisation, which is established pursuant to this Law and exclusively for the purpose of carrying out securitisation and issuance of asset-backed securities.

2. Securitisation fund shall be deemed established from the day of registration thereof by the Central Bank in the procedure prescribed by this Law.

3. The name of a securitisation fund shall include the words “Securitisation fund” and shall not include the names of the originator or the seller.

4. Only the persons with relevant registration at the Central Bank, the branches, representative offices thereof may use the phrase “Securitisation fund” or its derivatives in their names, with the exception of cases where the right to use the mentioned phrase has been reserved by law or an international treaty, or where the meaning of the phrase “Securitisation fund” explicitly implies that it does not refer to the activities of a securitisation fund prescribed by this Law.

5. Securitisation funds shall not have right to use such misleading words in the names thereof, which may cause misunderstanding on the financial position or legal status of the given securitisation fund.

6. Persons without relevant registration at the Central Bank shall be prohibited from using the phrase "Securitisation fund" or its derivatives in advertisements, a public offer or from otherwise assisting in advertising, where the use of the phrase "Securitisation fund" or its derivatives implies that it refers to the activities of a securitisation fund prescribed by this Law.

Article 5. The property of a securitisation fund

1. The following may be the property of a securitisation fund:

(1) fixed and/or financial investments provided by the founder (founders) at the moment of establishment of a securitisation fund;

(2) assets acquired for the purpose of issuing securities;

(3) other funds prescribed by this Law.

Property transferred to a securitisation fund by the founder shall be deemed the ownership of a securitisation fund.

Property of a securitisation fund shall be used exclusevly for the purposes prescribed in its charter and may not be used for the benefit of its founders, members of the Board of Directors of a securitisation fund, manager of a securitisation fund, servicer, custodian, except for compensation for founders, members of the Board of Directors of a securitisation fund and manager of a securitisation fund for performance of their duties, as well as in cases when the latter are the owners of securities issued by a securitisation fund and secured by those assets.

Article 6. Expenses of a securitisation fund

1. Expenses of a securitisation fund shall be as follows:

(1) expenses on realisation of goals stipulated by the charter;

(2) expenses conditioned by the service contracts and incurred during the performance of the duties of members of the Board of Directors of a securitisation fund and manager of a securitisation fund, which are subject to compensation.

2. Expenses of a securitisation fund shall not exceed the value of the property of a securitisation fund, including the sum of the difference between proceeds on assets acquired for securitisation and obligations on asset-backed securities, which shall be calculated for each year.

Article 7. Obligations of a securitisation fund

1. A securitisation fund may not have any other obligations in addition to those on asset-backed securities, except for payments to originator or seller for the acquisition of asset-backed securities, obligations arising from transactions in derivative securities and obligations arising from contracts on provision of services permitted by this Law.

Article 8. Establishment of a securitisation fund

1. A securitisation fund shall be established through foundation.

The founders of a securitisation fund may be legal persons, including originator or seller, as well as other commercial organisations.

2. A securitisation fund may not be reorganised.

3. A securitisation fund may not have employees. For the purpose of carrying out securitisation activities, including asset management, a securitisation fund shall sign respective service contracts with third persons, which may include a servicer, originator, seller, securitisation fund manager and custodian.

Article 9. Charter of a securitisation fund

1. The constituent instrument of a securitisation fund is the charter, which shall prescribe:

(1) the name of a securitisation fund;

(2) the place of location of a securitisation fund;

(3) information about founder (founders), such as full trade name of founders, state registration data, place of location;

(4) price of the initial property of a securitisation fund and sources of its formation, including size of contribution of each founder;

(5) areas of a securitisation fund expenses, total amount thereof;

(6) procedure for disposal and management of a securitisation fund property;

(7) procedure for the establishment of the bodies of a securitisation fund, number of members and their competencies, procedure for their decision-making;

(8) procedure for liquidation of a securitisation fund;

(9) other provisions not contradicting this Law and the legislation of the Republic of Armenia.

2. Securitisation fund shall be obliged to submit any amendments made to its charter to the Central Bank for registration in a manner and form prescribed by the regulatory legal acts of the Central Bank.

3. Within a period of one month after the day of having received the documents for registration of amendments provided for by part 2 of this Article, the Central Bank shall register the amendments or refuse their registration.

The time limit prescribed in the first paragraph of this part may be suspended by the decision of the Board of the Central Bank, for the purpose of clarifying certain facts required by the Central Bank, but not longer than for 6 months. In case of failure by the Central Bank to inform the person of not refusing the registration of amendments within

a period of one month or suspending the period of one month, the amendments shall be deemed registered.

4. The Central Bank shall register the amendments if they do not contradict the laws and other legal acts and have been submitted in the manner and form prescribed by the Central Bank.

5. The amendments provided for by this Article shall enter into force upon their registration by the Central Bank.

Article 10. Management bodies of a securitisation fund

1. The management bodies of a securitisation fund are the follows:

(1) the Board of Directors which is the highest management body of the securitisation fund;

(2) the manager of a securitisation fund who carries out current management of a securitisation fund.

Article 11. Board of Directors of a securitisation fund

1. The number of members of the Board of Directors of a securitisation fund (hereinafter referred to as "Board of Directors") shall be prescribed by the charter of a securitisation fund, but may not be less than three.

2. Members of the Board of Directors shall be appointed by the founders upon the consent of the Central Bank. The procedure for the appointment of members of the Board of Directors shall be prescribed by The Central Bank.

The following persons may not be the members of the Board of Directors:

(1) a manager or a participant of the founders;

(2) a person that has a criminal record for an intentional crime;

(3) a person deprived, by the effective criminal judgement, of the right to hold positions in financial, banking, tax, customs, commercial, economic and legal spheres;

(4) a person declared bankrupt and having undischarged (unremitted) liabilities;

(5) a person affiliated with founder.

3. Members of the Board of Directors may be awarded bonuses and/or compensated for the expenses related to the performance of the duties of the member of the Board of Directors. The amount of and the procedure for the payment of the bonus and/or compensation shall be prescribed by the charter of a securitisation fund;

4. Members of the Board of Directors shall be appointed for the period of activity of a securitisation fund. The powers of a member of the Board of Directors may be early terminated by the decision of the Central Bank in case of emergence of the grounds provided for by part 2 of this Article during the exercise of powers, upon the application of a member of the Board of Directors and in case of death of a member of the Board of Directors.

In case of early termination of the powers of its member, the Board of Directors shall nominate a new candidate, within ten days after entry into force of the decision of the Central Bank or the death of a member of the Board of Directors. Where the Board of Directors is not competent to take such a decision by its compositon, the candidacy of a new member of the Board of Directors shall be nominated by the manager of a securitisation fund.

Article 12. Chairperson of the Board of Directors

1. The Chairperson of the Board of Directors shall be elected by the Board of Directors from the members of the Board of Directors.

The Chairperson of the Board of Directors shall:

(1) arrange activities of the Board of Directors;

(2) convene and chair meetings of the Board of Directors;

(3) arrange taking the minutes of the meetings of the Board of Directors.

Article 13. Meetings of the Board of Directors

1. Meetings of the Board of Directors shall be convened at least once in three months. Procedure for convening and conducting the meetings shall be prescribed by the charter of a securitisation fund.

Meetings of the Board of Directors shall be convened by the Chairperson of the Board of Directors upon his written request, written request of a member of the Board of Directors, a manager of a securitisation fund or a person carrying out external audit.

2. Meetings of the Board of Directors may be convened remotely, as prescribed by the charter of a securitisation fund. The Board of Directors may make decisions at the meeting during which all the members can communicate through a phone, video conference or other means of communication in the real-time mode. Such meeting shall not be deemed a remote meeting (meeting through correspondence).

3. The quorum of the Board of Directors meetings shall be prescribed by the charter of a securitisation fund, but may not be less than half of the Board of Directors members. The decisions of the Board of Directors shall be approved by the majority of votes of the

members of the Board of Directors present at the meeting, unless the charter provides for a higher number of votes.

During the voting, each member of the Board of Directors shall have only one vote. Transfer of voting rights to another person (including to another member of the Board of Directors) shall not be permitted. In case of a tie vote, Chairperson of the Board of Directors shall have a casting vote, unless otherwise provided for by the charter.

4. The manager of a securitisation fund shall participate in the meetings of the Board of Directors with the right to advisory vote.

5. Meetings of the Board of Directors shall be minuted. Minutes of the meeting shall be drawn up within ten working days after the end of the meeting. The minutes shall specify:

(1) the year, month, date, time and place of the meeting;

(2) participants of the meeting;

(3) the agenda of the meeting;

(4) issues put to voting and the results of voting per each member of the Board of Directors that participated in the meeting;

(5) opinions of the members of the Board of Directors and other persons participating in the meeting of the Board of Directors;

(6) decisions adopted at the meeting.

Minutes of the meeting of the Board of Directors shall be signed by the members participating in the meeting who shall be responsible for the accuracy and reliability of information in the minutes.

The meetings of the Board of Directors are held and the decisions thereof are signed by the Chairperson of the Board of Directors. The Chairperson of the Board of Directors shall bear liability for the reliability of information contained in the decisions.

Article 14. Competencies of the Board of Directors

1. The Board of Directors shall:

(1) approve internal acts regulating activities of a securitisation fund;

(2) prescribe restrictions for asset management;

(3) carry out supervision of current and financial and economic activity of a securitisation fund, as well as over execution of its decisions;

(4) hear the reports of the manager of a securitisation fund with a periodicity prescribed by the charter;

(5) elect and dismiss the manager of a securitisation fund;

(6) select a person performing audit of a securitisation fund;

(7) approve the budget of a securitisation fund, annual financial and other statements and reports of a securitisation fund;

(8) in case of early termination of powers of a member of the Board of Directors, nominate to the Central Bank candidacy of a new board member in the procedure prescribed by the Central Bank;

(9) exercise other powers provided for by the charter.

Competence of the Board of Directors may not be transferred to another body.

The agreement with a manager of a securitisation fund on delegating the powers shall be signed by the Chairperson of the Board of Directors.

Article 15. Manager of a securitisation fund

1. The manager of a securitisation fund is an investment company other than originator, seller or servicer, which is carrying out current management of a securitisation fund.

2. The Central Bank prescribes requirements for the manager of a securitisation fund and its activities by a regulatory legal act.

3. Powers to carry out current management of a securitisation fund activities, except for issues which are delegated to the Board of Directors pursuant to this Law and charter, fall under the competence of the manager of a securitisation fund.

Article 16. Competencies of the manager of a securitisation fund

1. The manager of a securitisation fund shall:

(1) acquire assets for the purpose of issuing asset-backed securities;

(2) issue asset-backed securities;

(3) carry out asset management;

(4) sign contracts on provision of services for the purpose of servicing assets and asset-backed securities;

(5) carry out any activities permitted by the legislation of the Republic of Armenia, which are necessary for exercising the competences specified in points 1-4 of part 1 of this Article.

2. The manager of a securitisation fund shall be prohibited to carry out activities not provided for by this Law, regulatory legal acts of the Central Bank and the prospectus of asset-backed securities.

3. The manager of a securitisation fund may acquire derivative securities exclusively for ensuring liquidity of the pool of assets and securing initial value of assets in the pool of assets.

Regulatory legal acts of the Central Bank may prescribe types of derivative securities which may be acquired by a securitisation fund and the maximum amount of investments into derivative securities.

Article 17. Liability of the manager of a securitisation fund and the Board of Directors

1. While performing their duties, manager of a securitisation fund and members of the Board of Directors shall act in the interest of investors of asset-backed securities, exercise their rights and perform their duties towards the investors in a fair and reasonable manner (fiduciary duty).

2. The manager of a securitisation fund shall be responsible for claims submitted to the securitisation fund, if he fails to prove that the claims were the result of a failure of the Board of Directors and/or its members to perform their duties or in case of their improper performance.

3. Third persons, except for investors and parties of the contracts signed with a securitisation fund pursuant to this Law, may not submitt claims in regard to the assets of a securitisation fund prior to the fulfilment of the obligations on asset-backed securities in full, where:

(1) assets were sold to the securitisation fund at the market price;

(2) the ownership right of assets was transferred to a securitisation fund in a manner prescribed by law;

(3) the originator or seller are not competent to transfer, pledge, replace, receive back, repurchase or use in any other way assets or proceeds on them without consent of the holder of asset-backed securities.

Article 18. Registration of a securitisation fund

1. For the purpose of registration, securitisation fund shall submit to the Central Bank:

(1) application signed by the founder (founders);

(2) decision of the founder on establishment of a securitisation fund and approval of its charter, or the minutes of the founders' meeting;

(3) at least three copies of the charter of a securitisation fund approved by the founder or founders' meeting;

(4) economic plan of a securitisation fund;

(5) contracts signed with the members of the Board of Directors and the document containing information about the members of the Board of Directors, the form of which shall be prescribed by the regulatory legal acts of the Central Bank;

(6) state duty payment receipt for registration;

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

2. Within a period of one month after receiving the documents prescribed by part 1 of this Article, the Central Bank shall register a securitisation fund or reject its registration.

3. For the purpose of verifying the information required by the Central Bank, the period of one month for consideration of the application for registration may be suspended, until the receipt of the required information.

4. The fund shall be deemed registered in case of failure by the Central Bank to inform the founders of not rejecting the application within a period of one month or suspending the period of one month.

5. Within three working days upon adopting a decision on registration of a securitisation fund, the Board of the Central Bank shall issue the registration certificate to the founders.

6. Within five working days upon adopting a decision on registration of a securitisation fund, the Central Bank shall notify the authorised state body performing registration of legal persons for the purpose of making by the latter a respective entry about the registration of a securitisation fund.

Article 19. Grounds for rejecting the registration of a securitisation fund

1. The Central Bank shall reject the registration of a securitisation fund where:

(1) the procedure prescribed by this Law for formation of a securitisation fund has been violated;

(2) the charter of a securitisation fund contradicts the law;

(3) the documents prescribed by this Law and the regulatory legal acts of the Central Bank adopted based thereon have not been submitted or the documents submitted are incomplete;

(4) submitted documents contain unreliable or false information;

(5) professional skills and/or qualifications of the members of the Board of Directors of a securitisation fund do not meet criteria prescribed by the regulatory legal acts of the Central Bank;

(6) the founder of a securitisation fund is insolvent or bankrupt or is involved in a liquidation or voluntary liquidation process;

(7) in previous reporting year, the founder of the securitisation fund violated main prudential standards set for its activities or the establishment of a securitisation fund in accordance with standards prescribed by the regulatory legal acts of the Central Bank will result in the deterioration of the financial position of the founder;

(8) overall assessment of the founder performance is below the level prescribed by the Central Bank.

Article 20. Originator and seller

1. The originator may directly or through a seller sell assets to a securitisation fund.

Where there is a seller, the latter shall buy assets from an originator for the purpose of selling them to the securitisation fund.

2. The regulatory legal acts of the Central Bank shall prescribe requirements for the seller and his activities.

3. The originator or seller shall have the right to:

(1) provide guarantees on asset quality and assume the responsibility of repurchasing or replacing assets which do not comply with the guaranteed quality standards;

(2) act as an asset servicer or sign other contracts on provision of services with a securitisation fund on market conditions;

(3) provide means of credit enhancement pursuant to this Law.

Article 21. Servicer

1. Servicers shall perform their duties in accordance with the provisions of a service contract.

2. While performing their duties, servicers shall act in the interest of investors of asset-backed securities, exercise their rights and perform their duties towards the investors in a fair and reasonable manner (fiduciary duty).

3. A service contract shall provide for:

(1) segregation of assets from other assets of a servicer and servicer's duty to carry out separate accounting for them;

(2) servicer's duty to maintain separate accounts for proceeds on each pool of assets or a part of assets within each pool of assets;

(3) in case of a bankruptcy of a servicer or his failure to fulfil obligations assumed by the service contract, termination of a service contract initiated by securitisation fund and appointment of a backup servicer;

(4) in case of termination of a service contract, servicer's duty to provide all entries and documents relating to assets, in electronic and/or documented form, to the securitisation fund or the backup servicer appointed by it, transfer cash sums and accounts derived from assets without any sett-off;

(5) fulfilment of obligations of a servicer assumed by the service contract until a backup servicer is appointed;

(6) other requirements prescribed by regulatory legal acts of the Central Bank.

4. Provision of service activities may be a gratuitous transaction.

5. In case of appointing a backup servicer, a securitisation fund shall provide all information necessary for fulfilment of obligations of the primary servicer assumed by the service contract.

6. Additional requirements for the servicers and their activities may be prescribed by the regulatory legal acts of the Central Bank.

CHAPTER 3

POOL OF ASSETS

Article 22. Sale of assets to a securitisation fund

1. Sale of assets within the meaning of this Law is deemed to be the sale of assets by originator or seller to a securitisation fund under the condition of receiving the payment immediately or after the placement of the asset-backed securities.

2. Sale of assets to a securitisation fund shall include a transfer of assets, as well as all related agreements, rights, collateral, mortgage and other means of securing the fulfilment of obligations, including guarantees.

3. An asset sale agreement shall contain a provision, pursuant to which the ownership right of assets shall be deemed transferred to a securitisation fund from the moment of signing an act on transferring assets, regardless of the time limits for making payment for the acquisition of the assets. In case the sale of assets also implies the transfer of rights related to immovable property, the ownership right of the assets shall be deemed transferred to a securitisation fund from the day of the state registration of that right.

4. The originator or seller shall be obliged to notify debtors about the sale of assets to a securitisation fund.

5. As of the day of signing the asset sale agreement originator or seller shall not be involved in the processes of insolvency, bankruptcy, liquidation or voluntary liquidation.

Article 23. Requirements for assets in the pool of assets

1. The pool of assets may include assets which are not encumbered by rights and claims of third persons and are free from any limitations as of the day of their sale to a securitisation fund.

2. Establishment and operation of a loss reserve of investments in investment securities of a securitisation fund, classification of loans and accounts receivables and establishment of loss reserves shall be carried out as prescribed by the laws of the Republic of Armenia "On banks and banking activity" and "On profit tax".

Article 24. Registration of the pool of assets

1. For the registration of the pool of assets a securitisation fund shall submit to the Central Bank the following documents:

(1) a list of cover assets backing asset-backed securities;

(2) documents certifying ownership right of a securitisation fund over assets, included in the list of assets, as prescribed by this Law;

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

2. A securitisation fund shall submit to the Central Bank the list of assets together with the prospectus on issuance of asset-backed securities (if a prospectus is required for the issuance of securities in the procedure prescribed by law).

3. Within twenty working days after receiving the documents prescribed by part 1 of this Article, the Central Bank shall register the list of assets submitted by a securitisation fund or reject its registration.

4. For the purpose of verifying the information required by the Central Bank registration period of twenty working days may be suspended until the required information is recieved.

5. The list of assets shall be deemed registered in case the Central Bank does not register them within twenty working days or does not notify the securitisation fund about the suspension of that period.

6. The Central Bank shall reject the registration of the list of assets submited by a securitisation fund for the purpose of securitisation, if the submitted documents are incomplete or contain false or unreliable information.

7. The registration of assets by the Central Bank is a state registration and no other registration of the right to the claim over assets shall be required.

8. Changes in the pool of assets, conditioned by the replacement or replenishment of assets, shall be subject to the registration in the Central Bank in a manner prescribed by this Article for the registration of the pool of assets.

9. The Central Bank shall, by the regulatory legal acts thereof, set up a register of the pool of assets and prescribe the procedure for concerned persons to receive information on assets from the register of the pool of assets.

Article 25. Replacement or replenishment of assets in the pool of assets

1. After the registration of the pool of assets, the assets in the pool of assets may be replaced:

(1) if it is necessary to replace assets which do not correspond to the quality criteria prescribed by the guarantee, provided to a securitisation fund by the originator or seller;

(2) in other cases, prescribed by the regulatory legal acts of the Central Bank.

2. After the registration of the pool of assets, the assets in the pool of assets may be replenished if:

(1) it is necessary for maintaining the minimum initial value of the pool of assets by a securitisation fund;

(2) in other cases prescribed by the regulatory legal acts of the Central Bank.

Article 26. Pledging of the pool of assets

1. As prescribed by this Law, a pool of assets shall be deemed pledged for securing the fulfilment of the obligations arising from asset-backed securities, from the moment of the registration of the pool of assets by the Central Bank.

Pledging of assets shall imply pledging of assets as well as of all the rights arising from claims to assets, pledging of incomes, payments, and other current or future funds. Such funds and payments shall include principal amounts, interests, insurance receivables, fines and penalties on assets, other payments, rights arising from collateral agreements, payables to owners of mortgage bonds.

2. Incomes, payments and other funds on assets shall be directed to the implementation of operations in asset-backed securities and expenses of the securitisation fund, pursuant

to the prospectus submitted to the Central Bank and the Charter. This provision shall not prohibit the sale of participation certificates to investors.

Article 27. Residual value of the pool of assets

1. The residual value of the pool of assets is the property of a securitisation fund and may be disposed in the procedure prescribed by the Charter and prospectus.

2. Rights over the residual value of the pool of assets may be in the form of a class or classes of asset-backed securities.

CHAPTER 4

ASSET-BACKED SECURITIES

Article 28. Types of asset-backed securities

1. Asset-backed securities may be in the form of bonds and/or participation certificates.

Article 29. Registration, issuance and placement of asset-backed securities

1. Provisions of this Law shall extend exclusively to asset-backed securities issued by a securitisation fund established in accordance with this Law.

2. Relations with respect to issuance of asset-backed securities, which are not included in this Law, shall be regulated by the Law of the Republic of Armenia "On securities market" and the regulatory legal acts of the Central Bank.

3. Asset-backed securities may be placed through private or public placements. Pursuant to the Law of the Republic of Armenia "On securities market", asset-backed securities may be sold at stock market or outside it.

4. The originator or seller is prohibited to purchase more than 10 percent of the total volume of each issuance of asset-backed securities without prior permission of the Central Bank.

Documents to be submitted by the originator or seller for prior permission of the Central Bank and procedure for granting the permission shall be prescribed by the regulatory legal acts of the Central Bank.

5. The Central Bank shall not oppose a transaction on purchasing asset-backed securities exceeding the amount prescribed in part 4 of this Article, if it is done exclusively for the purpose of credit enhancement.

6. Payments on asset-backed securities shall be made in the procedure prescribed by prospectus.

Article 30. Maintenance of register and custody of asset-backed securities

1. Central Depository shall carry out the functions of maintaining the register and custody of asset-backed securities.

2. Upon the request of the Central Bank, Central Depositary shall be obliged to provide the latter with information on the owners of asset-backed securities within two working days.

CHAPTER 5

CREDIT ENHANCEMENT

Article 31. Means of credit enhancement

1. The originator or seller of asset-backed securities as well as other persons may provide the following means of credit enhancement:

(1) payment guarantees on asset-backed securities on market conditions;

(2) temporary liquidity guarantees provided for the payment of principal amount and/or interests of asset-backed securities, which may not amount to or exceed the amount of guarantees mentioned in point 1 of this Part;

(3) acquisition of the lowest class of asset-backed securities from the same issuance;

(4) creation of a reserve for payments on the asset-backed securities on the basis of the residual value;

(5) sale of assets to a securitisation fund on lower price than the estimated value of the assets, provided that such difference shall return in the future to the originator, seller or, in the residual value, to the investor;

6) asset insurance;

7) other forms of credit enhancement prescribed by the regulatory legal acts of the Central Bank or permitted in the procedure prescribed by this Law.

Article 32. Granting permission for credit enhancement

1. A securitisation fund and a person providing credit enhancement shall file a request to the Central Bank for the permission to provide means of credit enhancement not mentioned in Article 31 of this Law and/or not provided for by the regulatory legal act of the Central Bank, submitting the following documents:

(1) description of the means of credit enhancement prescribed by the regulatory legal acts of the Central Bank;

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

The Central Bank shall permit the provision of the means of credit enhancement within twenty five working days, if:

(1) the means of credit enhancement do not contradict the laws and other legal acts.

(2) the means of credit enhancement does not threaten the interests of investors.

CHAPTER 6

ACCOUNTING, REPORTING AND SUPERVISION

Article 33. Statements and reports of a securitisation fund

1. A securitisation fund shall prepare, publish and submit to the Central Bank quarterly, annual, financial and other statements and reports. The Central Bank may prescribe by its regulatory legal acts other reporting frequencies.

2. Forms of the statements and reports, procedure and time limits of their submission and publication shall be prescribed by the regulatory legal acts of the Central Bank.

3. Statements and reports and other information submitted to the Central Bank by a securitisation fund shall be complete and reliable.

Article 34. Accounting in the securitisation fund

1. A securitisation fund shall keep accounting records in accordance with the procedure jointly prescribed by the Central Bank and the authorized body of the government of the Republic of Armenia, in accordance with the accounting standards of the Republic of Armenia.

2. The manager of a securitisation fund shall be responsible for the organization of the accounting of a securitisation fund, its state and reliability, the submission of quarterly, annual, and financial statements and reports to the Central Bank, in accordance with the procedure and time limits prescribed by this Law and other regulatory legal acts, adopted based thereon, as well as for ensuring the reliability of information provided to the Board of Directors and other persons.

Article 35. Supervision and regulation of securitisation activities

1. The Central Bank shall be vested with the competence to supervise and regulate the activities of a securitisation fund.

2. The Central Bank may request explanations, information and documents from the originator, seller, servicer and other persons involved in the securitisation process. Those persons shall be obliged to provide reliable and complete information upon the request of the Central Bank.

Article 36. External audit of securitisation fund

1. For the purpose of auditing financial and economic activities of a securitisation fund, every year a securitisation fund shall attract a person carrying out independent audit, vested with a right of providing audit services (hereinafter referred to as "External audit") as prescribed by laws and other legal acts, by signing with him a respective contract. The External audit of a securitisation fund shall be selected by the Board of Directors as prescribed by the regulatory legal acts of the Central Bank.

The regulatory legal acts of the Central Bank may define additional criteria for the person carrying out audit of the financial and economic activities of a securitisation fund.

2. External audit of a securitisation fund may be also initiated at any moment on the initiative of an investor (investors) at their expense.

3. In addition to the audit opinion, the contract concluded with the person, carrying out External audit of a securitisation fund, shall also provide for the preparation of the audit report (letter to the Board of Directors). The contract concluded with the person carrying out External audit of a securitisation fund shall also provide for the verification of the reliability of statements and reports submitted by a securitisation fund to the Central Bank.

4. Where in the course of the audit of a securitisation fund the External audit reveals facts of significant deterioration of the financial position of a securitisation fund, as well as deficiencies and violations related to the activities, External audit shall immediately inform the Central Bank thereof.

5. If the audit opinion and/or report were prepared with the violation of the requirements prescribed by this Law, other laws and legal acts, or the audit was not performed in accordance with the procedure prescribed by laws and legal acts, the Central Bank shall have the right to reject the audit opinion and/or report, notifying

external audit thereof, and request a new audit by another person carrying out audit at the expense of the securitisation fund.

6. The External audit opinion shall be submitted to the Central Bank by 1 May of the year following the financial year of audit.

7. Upon the request of the Central Bank, the external audit shall provide the Central Bank with the respective documents on the securitisation fund audit, regardless of the fact that they may contain commercial, banking or other secrets.

8. In case of a failure to fulfil obligations prescribed by this Article, the person carrying out the independent external audit shall bear the responsibility as prescribed by the legislation of the Republic of Armenia.

Article 37. Publicity of activities

1. A securitisation fund shall be obliged to prepare, submit to the Central Bank and publish on its Internet home page quarterly reports on issuance of asset-backed securities as prescribed by this Law. The form, procedure and time limits for the submission and publication of the quarterly reports shall be prescribed by the regulatory legal acts of the Central Bank. Quarterly reports shall contain the following information:

(1) the sum of assets included in the cover assets - in the amount of the nominal value, the residual value of cover assets, as well as the sum of assets included in the cover assets - in the amount of the nominal value, the net present value of those assets;

(2) structure of outstanding asset-backed securities in order of maturity, as well as fixed interest rate payment periods on cover assets in order of years;

(3) types of derivative securities contracted by a securitisation fund, total sum of transactions;

(4) placement of assets included in the cover assets:

a. in order of nominal value of assets;

b. in case assets are secured by a collateral – in order of the location of the collateral (if the collateral is an immovable property), purpose of use and type;

(5) payments on assets included in the cover assets during the reporting period;

(6) the number of immovable property related to the assets included in the cover assets, which was realised during the reporting period, as well as the quantity of immovable property pending realisation as of the end of reporting period;

(7) the number of cases during the reporting period when a securitisation fund took measures to realise the collateral for the purpose of preventing damages;

(8) assets classified overdue for 90 and more days;

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

2. Statements and reports and information submitted by a securitisation fund shall be complete and reliable.

CHAPTER 7

LEGISLATION VIOLATIONS AND SANCTIONS

Article 38. Liability for legislation violations

1. Penalties for the violations of this Law, other laws, regulating the securitisation process, and the legal acts, adopted on the basis thereof, and the procedure of their implementation shall be prescribed by the Law of the Republic of Armenia "On securities market."

CHAPTER 8

LIQUIDATION OF A SECURITISATION FUND

Article 39. Grounds for liquidation of a securitisation fund

1. A securitisation fund shall be liquidated:

(1) in case of voluntary liquidation:

a. after the full fulfilment of obligations on asset-backed securities, in case the prospectus on new issuance of asset-backed securities has not been submitted within thirty working days as prescribed by this Law;

b. in case of the repurchase of assets by a securitisation fund or originator or seller in the cases permitted by this Law.

(2) in case of forced termination of activities:

a. if the persons owning two thirds of the nominal value of asset-backed securities issued by a securitisation fund apply for liquidation;

b. if the property of a securitisation fund, including cover assets, is not sufficient for the performance of its activities and fulfilment of assumed obligations, and the possibility of acquiring adequate property by a securitisation fund for the fulfilment of the assumed obligations is not realistic.

Article 40. Voluntary liquidation of a securitisation fund

1. In case the grounds indicated in point 1 of part 1 of Article 39 of this Law are present, the Board of Directors shall have the right to take a decision on volunatry

liquidation of a securitisation fund, if a securitisation fund does not have obligations towards investors, persons acting as creditors under the contract on provision of services.

2. In the case provided for by part 1 of this Article, for the purpose of being granted a prior consent, a securitisation fund shall submit to the Central Bank a request for voluntary liquidation, attaching documents substantiating voluntary liquidation, the list of which is prescribed by the Board of the Central Bank.

3. Within twenty five working days the Board of the Central Bank shall review the request of a securitisation fund for voluntary liquidation.

4. The Central Bank shall reject the request of a securitisation fund for voluntary liquidation if the grounds for the voluntary liquidation prescribed by this Law are not evident.

5. After receiving from the Central Bank the permission for voluntary liquidation, a securitisation fund shall apply to the court for the purpose of conducting voluntary liquidation.

6. Based on the application of a securitisation fund, and in case of existence of the Central Bank permission for voluntary liquidation, the court shall adopt a decision on voluntary liquidation of a securitisation fund, appoint a liquidation committee, prescribing the procedure and time limits for voluntary liquidation.

Article 41. Forced termination of securitisation fund activities

1. In case there are any of the grounds indicated in point 2 of part 1 of Article 39 of this Law, the Central Bank shall take measures for the forced termination of the activities of a securitisation fund and liquidation thereof, in accordance with the provisions of this Article.

2. In cases indicated in point 1 of part 2 of Article 39 of this Law, the Board of the Central Bank within fifteen working days shall take a decision on the forced termination of the securitisation fund activities and appoint an authorised representative of investors.

3. From the moment of taking a decision mentioned in part 2 of this Article, the competencies of management bodies of a securitisation fund shall be transferred to the authorized representative of investors.

4. An authorized representative of investors is competent to:

(1) manage assets for the benefit of investors;

(2) dismiss a member, members of the Board of Directors of a securitisation fund and/or manager of a securitisation fund;

(3) provide guarantees or other forms of credit enhancement for the benefit of investors;

(4) terminate a service contract or other contracts on provision of services of a securitisation fund;

(5) appoint a backup servicer or other service provider by the consent of the Central Bank;

(6) act as a liquidation manager, and carry out competencies reserved to a liquidation manager under Article 42 of this Law;

(7) take necessary measures for the implementation of functions mentioned in points 1-6 of this Part.

5. Members of the Board of Directors of a securitisation fund, manager of a securitisation fund and persons providing services to a securitisation fund shall be obliged to:

(1) upon the request of authorized representative of investors transfer the assets, accounts and documents of a securitisation fund to the latter;

(2) cooperate with the authorized representative of investors when the latter exercises its rights and perform its duties;

(3) not impede authorized representatives of investors in exercising their rights and performing their duties .

6. The securitisation fund liabilities shall be discharged at the expense of its liquidation funds, in accordance with Article 42 of this Law.

Article 42. Liquidation of a securitisation fund on the ground of bankruptcy

1. In case there are grounds mentioned in sub-point b of point 2 of part 1 of Article 39 of this Law, the Board of the Central Bank, within fifteen working days, shall submitt to court a securitisation fund bankruptcy application. A bankruptcy proceeding against a securitisation fund may be instituted exclusively by the Central Bank, by the decision of the Board of the Central Bank.

2. A bankruptcy cases of a securitisation fund shall be examined as prescribed by the Civil Procedure Code of the Republic of Armenia and the Law of the Republic of Armenia "On bankruptcy", unless they contradict this Law.

3. During the examination of the bankruptcy case of a securitisation fund by the court only the liquidation proceedings shall be applied. After adopting a decision to accept the application of the Central Bank to the ptoceedings, the court shall examine the case within three working days. The Court shall adopt a decision on either satisfying or rejecting the application of the Central Bank. The decision of the court shall enter into force from the day of its anouncement and shall not be subject to appeal. The Court shall

reject the application of the Central Bank, if its decision has been adopted with violations of the procedure prescribed by this Law.

4. While adopting a decision on bankruptcy of a securitisation fund, court shall appoint a liquidation manager from among candidates nominated by the Central Bank.

5. From the day of adopting decision by the court on satisfying the application of the Central Bank and appointing the liquidation manager, the powers of the management of the securitisation fund shall be transferred to the liquidation manager.

6. The liabilities of the securitisation fund shall be discharged at the expense of the liquidation funds in the following order:

(1) first — costs incurred for the implementation of the liquidation process, including remuneration of a liquidator;

(2) second — claims of the investors, in the order of priority prescribed by prospectus;

(3) third — claims of other persons who under this Law are not considered originator or seller, and to whom a securitisation fund has contractual obligations;

(4) fourth — claims of originator or seller, to whom a securitisation fund has contractual obligations;

(5) fifth — claims of any other creditor;

(6) sixth — distribution of remaining funds between founders in proportion to size of their investment.

CHAPTER 9

TRANSITIONAL PROVISION

Article 43. Entry into Force

This law shall enter into force on the tenth day after the day of the official anouncement.

President
of the Republic of Armenia **S. Sargsyan**

21 June 2008,

Yerevan

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