

**LAW**  
**OF THE REPUBLIC OF ARMENIA**

Adopted by the National Assembly  
on 30 June 1996

**ON THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA**

**CHAPTER 1**

***GENERAL PROVISIONS***

**Article 1.           The Central Bank of the Republic of Armenia**

1. The Central Bank of the Republic of Armenia (hereinafter referred to as “the Central Bank”) is a legal person, vested with public functions, whose sole founder is the Republic of Armenia. The Central Bank shall act in accordance with the Constitution and laws of the Republic of Armenia.
2. The Central Bank is an integrated centralised system incorporating the head office and the territorial subdivisions of the Bank. The head office shall be located in the city of Yerevan.
3. The territorial subdivisions of the Central Bank are the branches and representative offices thereof. The Central Bank and its territorial subdivisions shall each have a seal bearing the Coat of Arms of the Republic of Armenia and their name.
4. To achieve its objectives, the Central Bank may on its behalf:
  - conclude contracts, acquire rights, undertake obligations, as well as take out loans;
  - act as a plaintiff and respondent;

- acquire, possess, use and alienate property, property and personal non-property rights in cases provided for by this Law.

5. In the implementation of its objectives, the Central Bank shall be independent from the state bodies of the Republic of Armenia.

6. The Central Bank and the Government shall bear no responsibility for the obligations of each other unless they have assumed such.

***(Article 1 edited by HO-245-N of 8 December 2005)***

## **Article 2. Competence of the Central Bank**

1. To realise its objectives, the Central Bank shall exercise powers vested therein by law.

2. The Central Bank shall keep the register of its acts.

3. The Central Bank shall, within the scope of its competence, adopt regulatory, internal and individual legal acts.

The Board of the Central Bank shall adopt regulatory and individual decisions, and the Chairperson of the Central Bank shall adopt individual and internal legal acts — decisions and executive orders.

4. Acts of regulatory nature rendering the regulatory regime of the Central Bank stricter, prescribing additional or stricter responsibility shall have no retroactive effect.

***(Article 2 supplemented by HO-45-N of 3 March 2004)***

## **Article 3. Registration and promulgation of the regulatory acts of the Central Bank**

***(Article repealed by HO-45-N of 3 March 2004)***

**Article 4. Main objective of the Central Bank**

1. The main objective of the Central Bank of the Republic of Armenia is to ensure price stability in the Republic of Armenia. To achieve its main objective, the function of the Central Bank is to take measures aimed at ensuring price stability. To achieve its main objective, the Central Bank shall develop, approve and implement monetary policy programmes.

2. Where other objectives of the Central Bank contradict its main objective, the Central Bank shall give priority to the main objective and shall be governed by the necessity of realising it.

*(Article 4 edited by HO-36-N of 25 December 2006)*

**Article 5. Objectives of the Central Bank**

1. The objectives of the Central Bank are as follows:

(a) ensuring stability and normal operation of the financial system of the Republic of Armenia, including ensuring conditions necessary for stability, liquidity, solvency and normal operation of the banking system of the Republic of Armenia;

(b) creating and developing an effective payment and settlement system;

(c) issuing the currency of the Republic of Armenia, organising and regulating money circulation therein;

(d) organising and regulating the combat against money laundering and terrorism financing;

(e) ensuring conditions necessary for the protection of investors in securities, for the formation and maintenance of an equitable system of pricing of securities in the market, and for the regulated and normal operation and development of a fair, transparent and reliable securities market;

(f) ensuring conditions necessary for the protection of rights and lawful interests of consumers in the financial system.

2. To achieve its objectives, the Central Bank shall, as prescribed by this Law:

(a) carry out the provision of banking services to the Government;

(b) act as financial agent and advisor to the Government;

(c) license banks, as well as, in cases provided for by law, declare other persons and organisations a financial group, and regulate and control their activities;

(d) extend loans to banks as the lender of last resort;

(e) regulate and control the activities of the payment and settlement system, including non-bank organisations providing payment and settlement services;

(f) possess, use, and dispose of international reserves of the Republic of Armenia;

(g) collect, summarise and publish statistics on the monetary and financial system;

(h) collect, co-ordinate and analyse information related to money laundering and terrorism financing, exchange and provide information with and to competent national authorities and international organisations, as well as, in cases provided for by international treaties of the Republic of Armenia, with and to competent authorities of other countries.

***(Article 5 supplemented, amended by HO-243 of 23 October 2001, amended by HO-371-N of 29 May 2002, supplemented by HO-17-N of 14 December 2004, HO-245-N of 8 December 2005, amended by HO-83-N of 26 May 2008, supplemented by HO-132-N of 17 June 2008, HO-133-N of 12 November 2015)***

## **Article 6. Monetary policy programmes**

1. Once a quarter the Central Bank shall publish a monetary policy programme for the next 12 months, which shall serve as a guideline.

2. The monetary policy programmes shall include the following:
  - (a) inflation forecasts;
  - (b) monetary policy directions;
  - (c) other necessary provisions defined by the Board of the Central Bank with a view to achieve the objectives prescribed by law.
3. Each year by 1 May, the Central Bank shall send the monetary policy programme approved in the first quarter of the current year to the National Assembly and shall present it at the sitting of the National Assembly in accordance with the procedure and within the time limit prescribed by the Law of the Republic of Armenia “Rules of Procedure of the National Assembly”.

***(Article 6 edited by HO-209-N of 18 March 1998, HO-36-N of 25 December 2006, supplemented by HO-114-N of 30 April 2009)***

#### **Article 7. Co-operation with state bodies**

1. In the implementation of its objectives, the Central Bank shall co-operate with state bodies of the Republic of Armenia.
2. The Chairperson of the Central Bank or his or her Deputies shall regularly provide the National Assembly and the committees thereof with clarifications or explanations on the policy of the Central Bank.
3. The Central Bank shall participate in the drafting of economic and financial programmes of the Government, as well as assist in the implementation thereof, unless it contradicts the objectives of the Central Bank. In the process of drafting the monetary policy programme, the Central Bank shall consult with the Government.
4. The Chairperson of the Central Bank may participate in open sessions of the Government with the right to an advisory vote and submit a written opinion on the

matters discussed. The authorised representative of the Government of the Republic of Armenia may participate in open sessions of the Board of the Central Bank with the right to an advisory vote and submit a written opinion on the matters discussed.

***(Article 7 amended by HO-133-N of 12 November 2015)***

#### **Article 8. International co-operation**

The Central Bank shall, within the scope of its competence, represent the interests of the Republic of Armenia in international financial organisations, international and foreign banks, as well as in relations with central and other banks of other countries, and conclude international treaties as prescribed by law.

The Central Bank shall be entitled to co-operate with foreign securities market regulators. This co-operation shall include obtaining and exchanging information with regard to the subject matter of the regulation, as well as supporting in the receipt of such information. The Central Bank shall be entitled to transfer to those bodies the information it possesses on lawful grounds, provided that the transfer of such information does not contradict the law, the regime of its secrecy prescribed by law will be maintained after the transfer, and the information will be used exclusively for the purpose of preventing and prosecuting violations of law. For the purpose of such co-operation, the Central Bank shall be entitled to establish information exchange systems or participate therein on its behalf, particularly sign memoranda and other agreements, which merely prescribe the composition of the information subject to exchange, the procedure for and conditions of the exchange.

***(Article 8 supplemented by HO-200-N of 11 October 2007)***

**Article 9. Deposit and credit operations**

1. The Central Bank may accept demand or term deposits in Armenian drams or foreign currency or accept material valuables for custody solely from the state bodies and banks of the Republic of Armenia, central and other banks of foreign countries, international financial and credit organisations, and in exceptional cases, upon a decision of the Board of the Central Bank, also from other persons, as well as, upon their assignment or consent, possess and use the deposits and material valuables.
2. To realise its objectives, the Central Bank may receive loans from international financial organisations, as well as from governments, central and other leading banks of other countries.

*(Article 9 amended by HO-243 of 23 October 2001)*

**Article 10. Open market operations**

1. For the purpose of implementing monetary policy, the Central Bank may acquire and alienate, as prescribed by this Law, both government securities and other risk-free securities in the financial market.
2. The Central Bank may not purchase government securities of the Republic of Armenia at its own expense during the period of their initial placement. The Central Bank may acquire government securities during the period of their initial placement solely upon the assignment and at the expense of the central or leading banks of other states.
3. Based on its main objective, the Central Bank may, for the purpose of implementing open market operations, issue short-term securities with maturities of up to one year, in accordance with the procedure agreed with the authorised body of the Government.

*(Article 10 amended by HO-243 of 23 October 2001)*

## CHAPTER 2

### *FINANCIAL PROVISIONS*

#### **Article 11. Capital of the Central Bank**

1. The capital of the Central Bank shall comprise its authorised capital, principal reserve, revaluation reserves for securities, fixed and other assets, retained earnings and profit.
2. The authorised capital of the Central Bank shall total one hundred million Armenian drams.
3. The authorised capital of the Central Bank is the property of the Republic of Armenia and may not be pledged, confiscated or otherwise alienated against the liabilities of the Republic of Armenia.
4. In case where the loss in the Central Bank balance sheet generated by the end of the financial year exceeds the aggregate amount of the reserves, the Government of the Republic of Armenia shall, within 30 days from the moment of publication of the balance sheet and as prescribed by law, provide the Central Bank with ordinary interest-free demand government promissory notes in the amount of the exceeding sum as a contribution to the capital of the Central Bank. These promissory notes shall be repaid at the expense of the state budget at the request of the Central Bank or in accordance with Article 12 of this Law.

***(Article 11 edited by HO-243 of 23 October 2001, amended by HO-45-N of 3 March 2004, edited by HO-36-N of 25 December 2006)***



**Article 11<sup>1</sup>. Purpose of debt management of the Central Bank**

1. Debt management of the Central Bank shall be carried out for the purpose of regulating the balance of payments, implementing the monetary policy and ensuring financial stability.

*(Article 11<sup>1</sup> supplemented by HO-183-N of 7 October 2009)*

**Article 12. Calculation and distribution of the profit of the Central Bank**

1. The profit of the Central Bank shall be calculated for each financial year in compliance with the international accounting standards as difference between the total income earned and the expenses incurred (including losses) throughout the financial year.

The calculation of the profit of the Central Bank of the Republic of Armenia to be distributed shall not include the positive difference — adjusted to the amount of the sums intended for covering the negative results of previous periods — between the incomes and the expenses generated from revaluation and acquisition of gold, special drawing rights, foreign currencies and valuables denominated in them prescribed by Article 13 of this Law.

2. Deductions shall be made from the profit of the Central Bank as follows:

(a) 20 per cent of the profit shall be directed to the replenishment of the principal reserve until its total amount equals 25 per cent of the available broad money;

(b) shall be directed to repayment of the promissory notes prescribed by Article 11 of this Law, in the due amount.

3. The profit balance, generated by the end of the financial year after the mentioned deductions are made, shall be transferred to the state budget.

*(Article 12 supplemented by HO-45-N of 3 March 2004, edited by HO-17-N of 14 December 2004, amended by HO-36-N of 25 December 2006)*

**Article 13. Incomes, expenses and capital investments of the Central Bank**

1. The incomes of the Central Bank shall comprise the incomes generated as a result of activities prescribed by this Law, including:

- (a) interests calculated on loans extended, deposits distributed, securities, correspondent account balances;
- (b) all types of commissions charged during the performance of banking operations;
- (c) penalties (including for failure of banks to comply with the prescribed procedure for placement of mandatory reserves) and fines collected from the banks registered by the Central Bank, other customers and contractual obligations;
- (d) incomes gained from selling foreign currency, precious metals, and other numismatic valuables at a price higher than their book value;
- (e) incomes gained from realisation of fixed and intangible assets at a price higher than the book value and from realisation of inventory;
- (f) fees charged for provision of banking services;
- (g) amounts generated from repayment of previously written-off loans, interests thereon and uncollectible accounts receivable;
- (h) donations received;
- (h<sup>1</sup>) amounts generated from revaluation of gold, special drawing rights, foreign currencies and valuables denominated in them;
- (h<sup>2</sup>) amounts generated from acquisition of precious metals, special drawing rights, foreign currencies and valuables denominated in them;
- (i) other inflows generated during the activities provided for by this Law.

2. The Central Bank shall plan its incomes independently. The incomes of the Central Bank shall not be subject to approval by state bodies of the Republic of Armenia.

3. The expenses of the Central Bank are as follows:

(a) operating expenses, including:

- interests calculated on deposits placed, loans received, securities issued and customer account balances;
- expenses related to the issuance, transportation, maintenance and destruction of banknotes, coins (including commemorative coins) and numismatic valuables;
- all types of commissions and other fees paid during the performance of banking operations;
- losses incurred from revaluation of foreign currencies, securities, precious metals and other assets;
- losses incurred from selling of foreign currency, securities, precious metals and numismatic valuables at a price lower than the book value and purchase price;
- expenses incurred from revaluation of fixed assets, intangible assets and inventory, realisation of fixed assets and intangible assets at a price lower than their book value, as well as from realisation of inventory;
- losses incurred from revaluation of gold, special drawing rights, foreign currencies and valuables denominated in them;
- expenses related to the formation of reserves for and writing-off of bad loans, accounts receivable, numismatic valuables and other assets;
- expenses related to the exhaustion of fixed assets;
- payments for any services related to bank activities;
- expenses related to the management of international reserves;
- expenses related to the servicing of payment systems;
- expenses related to the servicing of external public debt;

- expenses related to the maintenance, servicing, exploitation and insurance of other assets of the Central Bank, such as buildings, premises, fixed assets and inventory;
- payments for audit and consulting services;
- other expenses related to the implementation of the objectives set up for the Central Bank.

(b) administrative expenses, including:

- administrative expenses (staff salaries, rewards, payments for compulsory social security contributions to the state budget, staff trainings and update trainings, business trip and representation expenses, office vehicle operating expenses, other social security expenses);
- expenses of acquisition of information from news and professional literature;
- expenses related to the writing-off of office maintenance supplies and non-durable goods;
- expenses related to communication means for office use;
- contingent expenses (contingency reserve fund).

4. Capital investments of the Central Bank include the following:

(a) capital investments made for carrying out the principal activities of the Central Bank, such as:

- construction, acquisition and capital repairs of office buildings and premises;
- acquisition and capital repairs of computer equipment, office supplies, communication means and other fixed assets related to the principal activities of the bank;
- investments in the capital of legal persons directly linked to the objectives of the Central Bank;

(b) capital investments made for administrative purposes:

- capital investments related to the improvement and provision of recreation, medical care and household conditions of the employees of the Central Bank (acquisition and capital repairs — for the mentioned purposes — of buildings, premises, devices and equipment);
- capital investments for acquisition and capital repairs of office vehicles;
- acquisition and capital repairs of telecommunication equipment and communication means used for non-operating purposes.

***(Article 13 edited, supplemented by HO-243 of 23 October 2001, supplemented by HO-45-N of 3 March 2004, HO-17-N of 14 December 2004, amended by HO-44-N of 25 December 2006, HO-226-N of 24 October 2007)***

**Article 14. Approval of annual expenses and capital investments of the Central Bank**

1. The Board of the Central Bank of the Republic of Armenia shall approve, before 15 September of each year, the programme of capital investments and the estimate of expenses of the Central Bank of the Republic of Armenia for the next year. The administrative expenses and the maximum limit of the capital investments of the Central Bank shall be approved by the National Assembly of the Republic of Armenia under a separate article in the Law “On State Budget”, upon submission by the Government of the Republic of Armenia.

2. The forecast of operating expenses and the maximum limit for administrative expenses and capital investments of the Central Bank shall ensure the possibility of achieving the objectives of the Central Bank, including that of:

(a) ensuring, through monetary policy, price stability and prevention (curbing) of inflation;

- (b) properly managing international reserves of the Republic of Armenia and regulating the exchange rate of the Armenian dram;
- (c) ensuring complete and effective banking control and regulation in compliance with the international standards;
- (d) producing and preserving the Armenian dram, and ensuring safety of use of banknotes and coins (including commemorative coins);
- (e) creating, developing and maintaining effective payment and settlement system in compliance with the international standards;
- (f) ensuring proper representation in international organisations, as well as paying salary consistent with the average rate of remuneration in the banking system of the Republic of Armenia to employees having the qualification necessary for implementing the above-mentioned objectives.

***(Article 14 edited by HO-45-N of 3 March 2004, amended by HO-44-N of 25 December 2006, HO-226-N of 24 October 2007)***

**Article 15. Accounting and financial statement**

1. Accounting at the Central Bank shall be conducted as prescribed by the Board of the Central Bank in compliance with the international accounting standards adopted by the International Accounting Standards Board.
2. The Central Bank shall draw up a financial statement for each financial year in compliance with the international accounting standards. Financial statements shall include the annual balance sheet, profit and loss statement, profit distribution statement, as well as other provisions prescribed by the Board of the Central Bank.

3. The statement of the Central Bank submitted to the National Assembly shall consist of statements on administrative expenses and capital investments of the Central Bank.

*(Article 15 edited by HO-243 of 23 October 2001, amended by HO-36-N of 25 December 2006, supplemented by HO-114-N of 30 April 2009)*

#### **Article 16. External audit**

The financial statement of the Central Bank shall be audited each year by internationally recognised independent audit organisations. The external audit organisation or organisations shall be selected by the Board of the Central Bank for a term of up to three years.

*(Paragraph repealed by HO-114-N)*

The Control Chamber of the Republic of Armenia shall exercise control over the activities of the Central Bank which are related to the state budget and public debt service of the Republic of Armenia.

*(Article 16 amended by HO-45-N of 3 March 2004, supplemented by HO-7-N of 25 December 2006, amended by HO-114-N of 30 April 2009)*

#### **Article 17. Annual and quarterly reports**

1. Prior to 1 May of each year, the Central Bank shall publish its annual report for the previous financial year, which shall include the following:

- (a) the financial statement approved by the audit organisation;
- (b) the provisions on the governance of the Central Bank.

The Control Chamber shall deliver an opinion on the annual financial statement of the Central Bank.

1.1. The Central Bank shall, before 1 May of each year, draw up and send to the National Assembly the statement provided for by part 3 of Article 15 of this Law.

2. The Central Bank shall regularly, but not less than once a year, publish as well as send to the National Assembly, the Government and other interested state bodies a report on the financial stability of the Republic of Armenia, which shall include an analysis of banking, credit, insurance and securities markets, as well as information concerning the measures implemented for the regulation of and control over those markets.

The Central Bank shall regularly, but not less than once a quarter, publish the balance sheet of the Central Bank for the previous reporting period.

3. The Central Bank shall — after the end of each quarter, for the period of previous twelve months within two months following that period — publish a report on the implementation of the monetary policy programme, approved by the Board of the Central Bank.

4. Each year by 1 May, the Central Bank shall send the report on the implementation of the monetary policy programme for the previous year to the National Assembly and shall present it at the sitting of the National Assembly in accordance with the procedure and within the time limit prescribed by the Law of the Republic of Armenia “Rules of Procedure of the National Assembly”.

5. Other provisions or information prescribed by the Board of the Central Bank may also be included in the statements and reports prescribed by this Article.

***(Article 17 edited by HO-209 of 18 March 1998, HO-36-N of 25 December 2006, supplemented by HO-200-N of 11 October 2007, supplemented, edited by HO-114-N of 30 April 2009)***



## CHAPTER 3

### ***GOVERNANCE OF THE CENTRAL BANK***

**Article 18. The Chairperson of the Central Bank and his or her Deputies**  
***(title amended by HO-133-N of 12 November 2015)***

1. The Chairperson of the Central Bank is the highest official of the Central Bank. The Chairperson of the Central Bank shall be responsible for the realisation of the objectives of the Central Bank prescribed by this Law. Where the Chairperson of the Central Bank is absent or is unable to perform his or her official duties, one of the Deputy Chairpersons of the Central Bank shall act in his or her place, and where the Deputies are absent or unable to fulfil their official duties, the eldest member of the Board of the Central Bank shall act in his or her place.

2. The Chairperson of the Central Bank shall be appointed for a term of six years by the National Assembly upon the recommendation of the President of the Republic of Armenia.

The Deputy Chairpersons of the Central Bank shall be appointed for a term of six years by the President of the Republic of Armenia.

3. The Chairperson of the Central Bank and the Deputies thereof may not be a member of governing body of any political party, be engaged in political activities, hold another state position or perform other paid work, except for scientific, pedagogical and creative work.

4. The Chairperson of the Central Bank shall:

(a) co-ordinate and ensure the normal workflow of the Central Bank, its Board and Board members;

(b) chair the meetings of the Board of the Central Bank, sign the acts of the Board of the Central Bank and the minutes of the Board meetings;

- (c) organise the execution of the regulatory acts of the Board of the Central Bank;
- (d) represent the Central Bank in the Republic of Armenia, in other states, and in international organisations;
- (e) issue powers of attorney;
- (f) approve the structure and the staff list of the Central Bank;
- (g) appoint and dismiss heads of subdivisions and other employees of the Central Bank except for cases provided for by this Law;
- (g<sup>1</sup>) adopt individual and internal decisions and executive orders, including decisions on assigning inspections of persons under inspection;
- (h) perform other powers not conferred upon the Board of the Central Bank by law.

***(Article 18 supplemented by HO-45-N of 3 March 2004, HO-245-N of 8 December 2005, edited by HO-36-N of 25 December 2006, amended by HO-133-N of 12 November 2015)***

## **Article 19. The Board of the Central Bank**

1. The Board of the Central Bank is the highest body of governance of the Central Bank. The Board of the Central Bank is composed of the Chairperson of the Central Bank, his or her two Deputies and five members.

2. The members of the Board of the Central Bank shall be appointed by the President of the Republic of Armenia for a term of five years. The terms of office of the Board members shall be as follows:

one member — one year;

one member — two years;

one member — three years;

one member — four years;

one member and all the members appointed subsequently — five years.

In case a vacancy occurs in the Board of the Central Bank, the new member of the Board shall be appointed for the remainder of the term of office of the vacated position.

3. The members of the Board of the Central Bank shall be responsible for performing the duties conferred thereupon by the Board of the Central Bank in specific areas of activities.

4. Members of the Board of the Central Bank may be citizens of the Republic of Armenia who are professionally capable of ensuring the performance of the competences prescribed by Article 20 of this Law. No person shall be a member of the Board of the Central Bank who:

(a) has been, upon a court's civil judgment, declared as having no or limited active legal capacity, or has been, upon a criminal judgment having entered into legal force, convicted for a crime committed intentionally;

(b) has been, as prescribed by law, disqualified or deprived of a right to hold certain positions.

5. The members of the Board of the Central Bank may not be a member of the governing body of any political party, be engaged in political activities, hold another state position or perform other paid work, except for scientific, pedagogical and creative work.

The members of the Board of the Central Bank may not hold any other positions in the Central Bank.

***(Article 19 amended by HO-133-N of 12 November 2015)***

## **Article 20. Competence of the Board of the Central Bank**

The Board of the Central Bank shall:

- (a) approve the Charter of the Central Bank;
- (b) approve the monetary policy programme of the Republic of Armenia;
- (c) approve the limits and interest rates of open market operations carried out, loans extended and deposits accepted by the Central Bank;
- (d) approve the procedure for and conditions of placement of mandatory reserves by the banks with the Central Bank;
- (e) adopt regulatory acts of the Central Bank;
- (f) decide on and approve, upon the recommendation of the Chairperson of the Central Bank, the distribution of responsibilities among the members of the Board of the Central Bank;
- (g) prescribe the nominal value and the form of the currency (banknotes and coins (including commemorative coins)) of the Republic of Armenia, the procedure and conditions of their issuance and withdrawal from circulation, as well as decide on matters of issuance of banknotes and coins (including commemorative coins), their recall and withdrawal from circulation by prescribing the time limits for the recall and withdrawal from circulation;
- (h) decide on the matters of membership of the Central Bank in international organisations;
- (i) approve the statements, reports and opinions submitted by the Central Bank;
- (j) ***(point repealed by HO-36-N of 25 December 2006)***
- (k) approve the procedure for provision of loans by the Central Bank to banks and, in cases provided for by the Law of the Republic of Armenia “On compulsory motor

vehicle liability insurance”, also to the Bureau of insurance companies carrying out compulsory motor vehicle liability insurance (hereinafter referred to as “the Bureau”);

(l) establish and liquidate territorial subdivisions of the Central Bank;

(m) approve the annual estimate of expenses and the annual and other statements and reports of the Central Bank;

(n) prescribe the list of the securities the Central Bank may acquire, hold and alienate, as well as the procedure for acquiring, holding and alienating them;

(o) prescribe the types of short-term government securities issued by the Central Bank, as well as approve — agreeing with the body authorised by the Government of the Republic of Armenia — the procedures for issuance and repayment of those securities and for carrying out operations therewith;

(p) as prescribed by law, issue banking and other licences, repeal and declare them invalid, prescribe the procedure for licensing banks and other persons;

(q) as prescribed by the Law of the Republic of Armenia “On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies”, declare banks, investment companies, investment fund managers, credit organisations or insurance companies insolvent, initiate bankruptcy proceedings thereagainst, exercise other powers provided for by the same Law, as well as adopt decisions, reserved to its competence by law, related to re-organisation of banks, credit organisations, investment companies, investment fund managers or insurance companies;

(r) approve the rules of work procedure of the Board of the Central Bank;

(s) approve the standards regulating the activities of the financial groups of banks and the procedure for calculation of the said standards;

(t) give its prior consent to or refuse the acquisition of a qualifying holding in the authorised capital stock of the banks;

(u) approve the forms of statements and reports submitted to the Central Bank by banks and other persons licensed and controlled by the Central Bank, and by financial groups;

(v) prescribe the minimum conditions for conducting internal supervision in banks and financial groups (types, subgroups);

(w) ***(subpoint repealed by HO-76-N of 23 May 2006)***

(w<sup>1</sup>) approve — agreeing with the body authorised by the Government of the Republic of Armenia — the procedures for carrying out operations in government securities (including the procedures for carrying out activities of depositing securities, for the operation of the securities accounting and settlement system, for placement of securities, for placement of undersubscribed securities, for circulation of securities in the secondary market, for buyback and repayment of securities, as well as for operations related to the pledging of securities);

(x) adopt legal acts regulating the payment and settlement relations and money circulation in the Republic of Armenia;

(y) ***(subpoint repealed by HO-281-N of 22 December 2010)***

(z) approve the procedure for and conditions of issuing and publishing the official and other periodicals of the Central Bank;

(aa) provide clarifications to the regulatory acts of the Central Bank;

(ab) establish the regulation of credit risk assessment subject to compulsory execution by banks, as well as the procedure for and conditions of exercising control over persons whose balance sheets are incorporated, as prescribed by law and the legal acts of the Central Bank, by a bank in its balance sheet (consolidated balance sheet);

(ac) perform other powers provided for by law;

(ad) adopt the regulatory legal acts regulating the activities of credit organisations in accordance with the Law of the Republic of Armenia “On credit organisations”, which

shall include the approval of the model rules of procedure for activities of credit organisations, establishment of the procedure for and conditions of participation of credit organisations in the Credit Registry — the information system for creditworthiness of bank customers;

(ae) *(subpoint repealed by HO-281-N of 22 December 2010)*

(af) *(subpoint repealed by HO-281-N of 22 December 2010)*

(ag) *(subpoint repealed by HO-281-N of 22 December 2010)*

*(Article 20 edited, supplemented by HO-243 of 23 October 2001, edited by HO-256 of 6 November 2001, supplemented by HO-371-N of 29 May 2002, HO-427-N of 23 October 2002, edited, supplemented by HO-45-N of 3 March 2004, edited by HO-147-N of 24 November 2004, HO-17-N of 14 December 2004, amended by HO-245-N of 8 December 2005, edited, amended by HO-76-N of 23 May 2006, edited, supplemented by HO-183-N of 9 April 2007, edited by HO-200-N of 11 October 2007, amended by HO-83-N of 26 May 2008, supplemented by HO-189-N of 22 October 2008, HO-66-N of 18 May 2010, supplemented, amended by HO-281-N of 22 December 2010, supplemented by HO-133-N of 12 November 2015)*

## **Article 21. Meetings of the Board of the Central Bank**

1. Meetings of the Board of the Central Bank shall be convened where necessary at the request of the Chairperson, at least one of his or her Deputies or at least three members of the Board. The meetings of the Board of the Central Bank shall be minuted.

2. Closed meetings of the Board of the Central Bank may be convened to discuss matters related to individual banks involving a banking secret, matters related to information considered secret pursuant to the Law of the Republic of Armenia “On securities market” or matters related to individual persons carrying out insurance activities involving an insurance secret, or to discuss matters related to the members of

the Board. The closed meetings of the Board of the Central Bank may only be attended by the members of the Board of the Central Bank and those invited by the Board.

3. The Board of the Central Bank shall be authorised to adopt decisions if at least five members of the Board, including the Chairperson of the Central Bank or at least one of his or her Deputies, are present at the meeting; moreover, the number of the Chairperson and Deputies participating in the meeting shall not exceed the number of the other members of the Board participating in the meeting. A decision shall be deemed adopted where more than half of the total number of members present at the meeting voted for it. In case of a tie, the Chairperson of the Central Bank, or, in case of his or her absence or inability to perform his or her official duties, his or her Deputy chairing the meeting shall have the casting vote.

4. The authorised representative of the Government as well as members having voted against the decision adopted by the Board of the Central Bank may request that their opinion be properly detailed in the minutes of the meeting.

5. Where necessary, the Board of the Central Bank may, in compliance with the rules of work procedure prescribed by itself, adopt decisions through correspondence. Decisions shall be adopted through correspondence in accordance with the voting procedure prescribed by point 3 of this Article.

***(Article 21 supplemented by HO-243 of 23 October 2001, supplemented by HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, amended by HO-133-N of 12 November 2015)***

**Article 22. Grounds for dismissal of members of the Board of the Central Bank from their office**

1. The Chairperson of the Central Bank may voluntarily resign from office by notifying the President of the Republic of Armenia and the National Assembly in writing thirty days in advance of the day of resignation. From the thirtieth day



following the date of notice, the Chairperson of the Central Bank shall be deemed dismissed from office.

The Deputy Chairpersons of the Central Bank and the other members of the Board of the Central Bank may voluntarily resign from office by notifying the President of the Republic of Armenia in writing one month in advance of the day of resignation.

2. The National Assembly shall, upon the recommendation of the President of the Republic of Armenia, dismiss the Chairperson of the Central Bank from office, and the President of the Republic of Armenia shall dismiss the Deputy Chairpersons of the Central Bank and the other members of the Board, where they:

- (a) have ceased to be citizens of the Republic of Armenia;
- (b) have been, upon a court's civil judgment, declared as having no or limited active legal capacity or have been, upon a criminal judgment having entered into legal force, convicted for a crime committed intentionally;
- (c) have failed in the performance of their official duties;
- (d) have been, as prescribed by law, disqualified or deprived of a right to hold certain positions;
- (e) have not performed their official duties for more than six months because of a disease or for other reasons;
- (f) have had unexcused absences from the meetings of the Board more than five times in one year.

***(Article 22 edited, supplemented, amended by HO-36-N of 25 December 2006, amended by HO-133-N of 12 November 2015)***

**Article 23. Declaration on incomes and interests of the members of the Board of the Central Bank**

1. The Chairperson of the Central Bank, the Deputy Chairpersons and other members of the Board, shall, when being nominated and appointed, and once every year after being appointed, publish information on the sources of their income, as well as on any substantial financial interests they and persons, running common household with them, have.

2. In case where a matter related to the interests provided for by this Article is discussed by the Board of the Central Bank, the interested member of the Board shall be obliged to disclose his or her interest prior to commencing the discussion and not to participate in the discussion and the voting related to that matter.

*(Article 23 amended by HO-133-N of 12 November 2015)*

**Article 24. Employees of the Central Bank**

1. Employees of the Central Bank are the officers and service staff of the Central Bank.

Officers of the Central Bank are the persons directly involved in the implementation of the objectives of the Central Bank and holding a position approved by the Charter and staff list of the Central Bank.

2. The officers of the Central Bank may not, during their tenure of office at the Central Bank, hold any other state position or perform other paid work without the consent of the Chairperson of the Central Bank, except for scientific, pedagogical and creative work. The officers of the Central Bank may not be employed by banks or be members of governing bodies thereof.

3. The Chairperson of the Central Bank, his or her Deputies, the members of the Board and the officers of the Central Bank shall be prohibited from receiving,

personally or through affiliated persons, commercial loans from banks for the purpose of carrying out entrepreneurial activities. The mentioned persons shall be obliged to inform the Central Bank of all the loans — not provided for by this part — that they have received and that are not extended by the Central Bank. Such loans shall be carried by the Central Bank.

4. The service staff of the Central Bank shall include the employees of the Central Bank whose duties are not directly related to the implementation of the objectives of the Central Bank, including those employees involved in auxiliary office maintenance services. The staff list, duties, remuneration rate and working conditions of the service staff of the Central Bank shall be prescribed by the Chairperson of the Central Bank.

***(Article 24 amended by HO-133-N of 12 November 2015)***

**Article 25.            Audit group and chief auditor**

1. The audit group of the Central Bank shall be a special structural subdivision of the Central Bank. The activities of the audit group shall be directed by the chief auditor. The chief auditor and the members of the audit group shall be appointed and dismissed by the Board of the Central Bank upon the recommendation of the Chairperson of the Central Bank.

2. The audit group of the Central Bank shall:

- (a) exercise control over the activities of the subdivisions of the Central Bank;
- (b) audit the implementation of the estimate of expenses, as well as the accounting and accounts of the Central Bank;
- (c) audit and verify the financial statement of the Central Bank, other similar documents thereof.

3. The audit group of the Central Bank shall report to the Board of the Central Bank. The audit group of the Central Bank shall be obliged to inform the Chairperson and the Board of the Central Bank of any facts about disclosed violations or failures.

*(Article 25 edited by HO-243 of 23 October 2001)*

**Article 26. Amount of remuneration of the Board members and the officers of the Central Bank**

1. The amount of remuneration of the Chairperson of the Central Bank, his or her Deputies and the other members of the Board of the Central Bank shall be prescribed by the Board of the Central Bank.

2. The amount of remuneration of the officers of the Central Bank shall be prescribed by the Chairperson of the Central Bank based on part 2 of Article 14 of this Law. When calculating the amount of remuneration, both the salaries and the additional remuneration paid by the Central Bank shall be taken into account.

*(Article 26 amended by HO-133-N of 12 November 2015)*

**Article 27. Conflict of interests**

1. The Chairperson of the Central Bank, his or her Deputies, the other members of the Board and the officers of the Central Bank shall, in the performance of their official duties, be governed by law and the interests stemming from the necessity to realise the objectives of the Central Bank.

2. The Chairperson of the Central Bank, his or her Deputies, the other members of the Board and the heads of subdivisions of the Central Bank as well as the persons affiliated thereto may not, during their tenure of position or office, acquire shares or advise to acquire shares in banks.

3. The Chairperson of the Central Bank, his or her Deputies and the other members of the Board of the Central Bank shall not be entitled to participate, whether directly or indirectly and otherwise than as prescribed by law, in transactions in securities of a reporting issuer or transactions of a person carrying out professional activities.

4. The securities, issued by a reporting issuer, which belong to the Chairperson of the Central Bank, his or her Deputies or the other members of the Board, as well as the officers of the Central Bank (their spouses) shall be alienated or transferred for trust management within a period of one month following the day when they assumed their official duties or their office.

***(Article 27 supplemented by HO-200-N of 11 October 2007, amended by HO-133-N of 12 November 2015)***

**Article 28. Work-related secret**

1. The Chairperson of the Central Bank, his or her Deputies, the other members of the Board and the employees of the Central Bank may not publish or otherwise disseminate information constituting a work-related secret, nor may they use such information for gain.

2. The Chairperson of the Central Bank, his or her Deputies, the other members of the Board and the employees of the Central Bank may and, in cases provided for by law, shall be obliged to disclose information constituting a work-related secret:

(a) by written permission of the Chairperson or the Board of the Central Bank, or of the person or organisation to whom such information concerns, provided that such secret is an exclusive right or privilege of the person or organisation concerned;

(b) when performing his or her obligations or duties prescribed by law, including when complying with court decisions, as well as decisions of other authorised bodies made within the scope of their competence;

(c) to the audit group of the Central Bank, and to an external audit organisation, except for information prescribed by law and other legal acts;

(d) for the purpose of protecting, at court trials or other legal proceedings, the interests of the Chairperson of the Central Bank, Deputy Chairpersons, the other members of the Board or employees of the Central Bank.

3. Within the meaning of this Law, a work-related secret shall apply to information which has become known to employees of the Central Bank in the performance of their official duties, including information related to the possibility, time limits and plans of application of certain tools envisaged for the implementation of the monetary policy of the Central Bank, as well as to data on banking control, except for the following:

(a) published or otherwise disseminated information;

(b) information, constituting a banking secret, the content and the procedure and conditions of disclosure whereof are prescribed by law.

4. The Board of the Central Bank may prescribe the list and the different levels of classification of information constituting a work-related secret, as well as the procedure for using and publishing such information.

***(Article 28 amended by HO-133-N of 12 November 2015)***

## **Article 29. Charter of the Central Bank**

The Charter of the Central Bank shall prescribe the scope of competence of the territorial subdivisions of the Central Bank, of their heads and officers, the procedure for establishing and liquidating territorial subdivisions and for the activities thereof, as well as other matters related to the governance of the Central Bank.

***(Article 29 edited by HO-45-N of 3 March 2004)***

## CHAPTER 4

### ***RELATIONS OF THE CENTRAL BANK WITH STATE BODIES OF THE REPUBLIC OF ARMENIA***

#### **Article 30. Provision of banking services to the Government**

The Central Bank shall carry out free of charge provision of banking services to the Government as prescribed by laws and other legal acts.

#### **Article 31. Consulting**

The Government or its authorised state administration body, when drafting the state budget, shall consult the Central Bank as to the matters related to the draft state budget, including with regard to the intended domestic and external public borrowings, on sources, amounts, terms and conditions thereof, as well as areas where and purposes for which the borrowed funds shall be used. The Central Bank shall submit an official opinion on the draft state budget to the Government. The official opinion of the Central Bank shall be attached to the draft state budget and submitted to the National Assembly for consideration as prescribed by laws. The Central Bank shall also submit an official opinion to the Government with regard to the annual state budget performance report. The official opinion of the Central Bank shall be attached to the annual state budget performance report and submitted to the National Assembly for consideration as prescribed by law.

***(Article 31 supplemented by HO-114-N of 30 April 2009)***

#### **Article 32. Financial agent**

The Central Bank shall be the financial agent of the Government:

(a) acting as central depository of bonds issued by the body authorised by the Government as regards the placement, registration and transfer of bonds and other

securities issued by the body authorised by the Government, as well as the making of payments of principal amounts and interests of securities or other payments prescribed;

(b) as regards operations related to the state budget and servicing of domestic and external public debt, as well as other payment operations;

(c) as regards other operations not contradicting the objectives of the Central Bank.

***(Article 32 amended, supplemented by HO-243 of 23 October 2001)***

### **Article 33. Information**

1. The Central Bank shall, as agreed with the body authorised by the Government, provide information to the Government with regard to monetary and other matters reserved to its competence by this Law.

2. Information constituting a banking secret shall be provided as prescribed by law.

3. The bodies authorised by the Government, as well as the National Statistical Service of the Republic of Armenia shall, as agreed with the Central Bank, provide information to the Central Bank with regard to the following:

(a) state budget performance, its current amounts and revenues;

(b) public borrowings, including their sources, amounts, interest rates, maturity dates, and other conditions, as well as areas where and purposes for which borrowed funds are used;

(c) balance of payments, financial and other matters.

4. Information constituting a state secret shall be provided as prescribed by law.

***(Article 33 amended by HO 243 of 23 October 2001)***



**Article 34. Lending to the Government**

Direct or indirect lending to or otherwise financing of the Government of the Republic of Armenia or other state bodies by the Central Bank shall be prohibited except for cases provided for by this Law.

2. *(Point deleted by HO-243 of 23 October 2001)*

3. *(Point deleted by HO-243 of 23 October 2001)*

4. *(Point deleted by HO-243 of 23 October 2001)*

5. *(Point deleted by HO-243 of 23 October 2001)*

*(Article 34 amended by HO-243 of 23 October 2001)*

**CHAPTER 5**

***RELATIONS OF THE CENTRAL BANK WITH BANKS AND OTHER PERSONS***

**Article 35. Relations with banks and other persons licensed by the Central Bank**

1. The Central Bank shall promote the activities and sustainable development of banks and other persons licensed by the Central Bank and the creation of equal conditions for their free competition through undertaking the measures provided for by law.

2. The Central Bank may not interfere in day-to-day activities of banks and other persons it has licensed, except for cases prescribed by law.

3. In accordance with the procedure and conditions prescribed by the Central Bank, an information system for creditworthiness of bank customers — i.e. Credit Registry — shall be created in the Central Bank, and all banks operating within the territory of

the Republic of Armenia shall participate therein compulsorily. The Central Bank shall publish the names of bad debtors — owing major obligation(s) to banks and (or) an individual bank — as prescribed by Article 6 of the Law of the Republic of Armenia “On bank secrecy”.

***(Article 35 supplemented by HO-243 of 23 October 2001, HO-45-N of 3 March 2004)***

**Article 36. Regulation and licensing of banking. Licensing of other persons**

1. The Central Bank shall, in accordance with law, prescribe the main and other prudential standards for activities of banks and financial groups, the procedure for calculation thereof and the capital calculation rules.

2. The Central Bank shall, as prescribed by law, license banking, control the activities of financial groups of banks operating within the territory of the Republic of Armenia, prescribe the forms of statements and reports and statements of information they shall submit to the Central Bank, as well as the procedure for their submission. The control over the activities of banks shall be the exclusive competence of the Central Bank. The Central Bank may, in cases provided for by law, impose sanctions against banks and financial groups.

3. The Central Bank shall grant licences to other persons as prescribed by law.

4. The exclusive competence to request and receive statements and reports from banks, credit organisations and other persons licensed and controlled by the Central Bank shall belong to the Central Bank, except for cases provided for by law.

***(Article 36 supplemented by HO-243 of 23 October 2001, HO-45-N of 3 March 2004, HO-133-N of 12 November 2015)***

**Article 37. Banks' mandatory reserves**

1. The Central Bank shall prescribe the ratios of mandatory reserves to be placed by the banks with the Central Bank against demand, term and savings deposits and other obligations, as well as the procedure for placement of reserves and using reserve funds.

2. For all banks carrying out similar activities, as well as against all similar obligations assumed by banks, the same procedure for placement of mandatory reserves shall be prescribed.

3. The Central Bank may prescribe a special procedure for placement of mandatory reserves for foreign bank branches operating within the territory of the Republic of Armenia, which shall apply to all foreign bank branches.

4. The amount of interest rates payable against funds to be placed as mandatory reserves as well as against the portions exceeding the amount of funds to be placed as mandatory reserves shall be prescribed by the Chairperson of the Central Bank.

The amount of interest rates prescribed by this part shall be the same for all banks carrying out similar activities and for all similar obligations assumed by banks.

5. In case of failure to comply with the prescribed procedure for placement of mandatory reserves, the Central Bank shall charge a penalty from the bank in the amount prescribed by the Board of the Central Bank, but not more than 1 per cent of the averaged amount of difference between the required and actual reserves calculated for each day of non-compliance.

6. The Board of the Central Bank shall — upon the recommendation of the bank, the Chairperson of the Central Bank, the inspection subdivision or on its own initiative or upon conclusion of the agreement, provided for by Article 39<sup>10</sup> of this Law, with the bank — adopt a decision on postponing the collection of the penalty imposed on the bank, reducing the amount of the fine or defining a schedule for collection of the fine,

where the collection of the fine may result in a difficult financial situation in the bank according to the criteria prescribed by the Board of the Central Bank.

***(Article 37 edited by HO-243 of 23 October 2001, supplemented by HO-45-N of 3 March 2004, amended by HO-70-N of 23 May 2006)***

### **Article 38. Lending to banks**

1. The Central Bank, as the lender of last resort, may extend loans to banks with a maturity not exceeding six months in accordance with the procedure prescribed by itself.

For the purpose of maintaining the overall integrity and smooth operation of the banking system of the Republic of Armenia, the Central Bank may extend loans with a term of more than six months whose maturity may not exceed five years.

1.1. The decisions, prescribed by this Article, with regard to lending to banks by the Central Bank shall be adopted by the Board of the Central Bank.

2. Loans extended by the Central Bank to banks must be secured by:

- (a) government securities;
- (b) risk-free cheques and promissory notes with a maturity of no more than nine months;
- (c) other securities, upon the consent of the Board of the Central Bank;
- (d) coins (including commemorative coins) and standardised bullions made of gold and other precious metals;
- (e) deposits with the Central Bank or, upon the consent the Board of the Central Bank, with other banks in Armenian drams, in a stable foreign currency or in securities and precious metals listed in points (a), (b), (c), and (d) of this part.

3. In individual cases, in order to ensure the overall stability and development of the banking system of the Republic of Armenia, the Central Bank may, as prescribed by its Board, extend to banks loans secured by other means or unsecured (bank) loans.

4. For certain types of loans, the Board of the Central Bank may prescribe differentiated interest rates for lending as well as special procedure and conditions for lending.

5. In individual cases, the Board of the Central Bank may guarantee obligations of banks in obtaining borrowings from banks and other investors for the purpose of implementing their development and other special programmes, provided that:

(a) the interest rate payable by the bank against that particular borrowing is significantly below the average market interest rate of such borrowing in the Republic of Armenia;

(b) the borrowing concerned is long-term;

(c) the programme of using the borrowing concerned has been approved by the Board of the Central Bank. The Board of the Central Bank may prescribe additional conditions for provision of guarantees.

***(Article 38 amended by HO-44-N of 25 December 2006, edited, supplemented by HO-114-N of 30 April 2009)***

#### **Article 38<sup>1</sup>. Lending to the Bureau**

The Central Bank may, in cases and in the manner provided for by the Law of the Republic of Armenia “On compulsory motor vehicle liability insurance”, extend loans to the Bureau.

***(Article 38<sup>1</sup> supplemented by HO-66-N of 18 May 2010)***

**Article 38<sup>2</sup>. Provision of loans to the Deposit Guarantee Fund**

If, at the moment when a compensation case arises, the stability (liquidity and (or) solvency) of the banking system of the Republic of Armenia might be threatened, the Central Bank may, in accordance with the procedure, conditions and terms prescribed by its Board, provide to the Deposit Guarantee Fund loans secured by budget guarantee in case of provision of the budget guarantee envisaged by Article 11<sup>1</sup> of the Law of the Republic of Armenia “On budget system of the Republic of Armenia”.

*(Article 38<sup>2</sup> supplemented by HO-110-N of 24 June 2010)*

**Article 39. Co-operation with banking unions and associations**

1. The Central Bank shall co-operate with banking unions and associations on banking matters, inter alia, by consulting with them and providing necessary explanations before adopting acts having a major impact on the banking system and activities of banks.
2. For the purpose of examining and regulating matters related to the co-operation with banking unions and associations and to banking, the Central Bank may participate in activities of working groups and other structures of banking unions and associations.

**CHAPTER 5<sup>1</sup>**

***INSPECTIONS, CONTROL, EXAMINATIONS CARRIED OUT BY THE CENTRAL BANK AND PROCEDURE FOR AND CONDITIONS OF IMPOSING LIABILITY ON LICENSED PERSONS***

**Article 39<sup>1</sup>. Control and inspections carried out by the Central Bank**

1. The Central Bank shall carry out inspections at banks, branches of foreign banks, credit organisations, payment and settlement organisations, securities market

participants, non-governmental organisations carrying out pension activities, persons carrying out insurance activities, pawnshops, securitisation funds, corporate investment funds, investment fund managers, foreign managers of investment funds, the manager of the Guarantee Fund provided for by the Law of the Republic of Armenia “On funded pensions” (with regard to the management of the Guarantee Fund) and other persons it has licensed, the Bureau and financial groups operating within the territory of the Republic of Armenia (hereinafter referred to as “the persons under inspection”) (hereinafter referred to as “the inspections of the persons under inspection”) upon the grounds, in cases and in the manner provided for by this Chapter, and at branches and subsidiaries, operating in foreign states, of the persons prescribed by this part — in cases and in the manner prescribed by the international treaties of the Republic of Armenia. The Central Bank may disclose — in the manner prescribed by the international agreement concluded between the Central Bank and the respective body entitled to exclusive control over a person prescribed by this part — information concerning the persons under inspection and having become known to it to the respective body entitled to exclusive control in a foreign state over persons prescribed by this part, if such information is necessary to that body for exercising control over the branches and subsidiaries, established in the foreign state concerned, of a person under inspection operating within the territory of the Republic of Armenia or for giving its consent to establishment of a branch or subsidiary. The Central Bank may provide the information prescribed by this part even if it constitutes a banking or other secret.

2. The Central Bank shall also exercise daily off-site control over the activities of the persons under inspection through inspection of statements, reports and statements of information submitted to the Central Bank by the persons under inspection as required by law and the regulatory legal acts adopted by the Central Bank and, based thereon, by the Board of the Central Bank, the Chairperson or by the inspection subdivision, as well as through other documents or information provided for by this

Chapter (hereinafter the inspections of the persons under inspection and the off-site control shall be referred to as “the inspection”).

The inspection rules prescribed by this Law shall apply to the inspections of the persons under inspection and the off-site control, unless the content of the provision concerned implies that it refers to the inspections of the persons under inspection only or to the off-site control only.

3. The inspections shall be carried out by the Central Bank subdivision authorised for inspections (hereinafter referred to as “the inspection subdivision”).

4. The inspections of the persons under inspection shall be carried out upon the decision of the Board or the Chairperson of the Central Bank by officials specified in the power of attorney issued by the head of the inspection subdivision based on the mentioned decision. Other employees of the Central Bank who are not employees of the inspection subdivision may also participate in the inspections of the persons under inspection. The name of the person under inspection and the purpose of the inspection shall be specified in the decision mentioned in this point, while the composition of the inspection group, including the head thereof, the beginning and end of the inspection of the person under inspection shall be specified in the power of attorney. The power of attorney shall be issued using the form of the inspection subdivision, shall be signed by the head of the inspection subdivision or a person acting for him as prescribed, and shall not bear the seal of the Central Bank. No power of attorney is required for carrying out the inspections of the persons under inspection by the head of the inspection subdivision. The Central Bank may prescribe the minimum number of members of the inspection group by the regulatory legal acts it adopts.

5. The information contained in statements/reports and acts (statements of information) drawn up as a result of the inspections at banks shall be deemed banking secret; at investment companies, regulated market operators, corporate investment



funds, as well as at the Central Depository — work-related and internal information; and at insurance and re-insurance companies, as well as at the Bureau — insurance secret; such information may be provided to third parties exclusively on the grounds and in the manner provided for by law.

6. In case of disclosing — during the inspections at banks, insurance or re-insurance companies, the Bureau, investment companies, corporate investment funds — certainly known violations, whether in preparation or already committed, which contain elements of an act subject to criminal prosecution, the Central Bank shall report them to relevant law enforcement bodies, as prescribed by the Law of the Republic of Armenia “On bank secrecy” or the Law of the Republic of Armenia “On insurance and insurance activities” and the Law of the Republic of Armenia “On securities market” or the Law of the Republic of Armenia “On funded pensions”, respectively.

7. In case of disclosing — during the inspections of the persons under inspection not deemed a bank, corporate investment fund, investment company, investment fund manager or insurance or re-insurance company and Bureau — certainly known violations, whether in preparation or already committed, which contain elements of an act subject to criminal prosecution, the Central Bank shall report them to relevant law enforcement bodies as prescribed by law.

8. The Central Bank may also carry out examinations of activities of the persons under inspection in the premises of the person under inspection or the Central Bank for the purpose of clarifying and interpreting statements, reports and other documents submitted to the Central Bank, as well as carrying out individual analyses. Moreover, sanctions provided for by this Chapter may not be applied as a result of the examinations.

***(Article 39<sup>1</sup> supplemented by HO-45-N of 3 March 2004, edited, supplemented by HO-245-N of 8 December 2005, HO-183-N of 9 April 2007, supplemented, edited by HO-200-N of 11 October 2007, supplemented by HO-99-N of 26 May***

***2008, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010, amended by HO-133-N of 12 November 2015)***

**Article 39<sup>2</sup>.            Conditions of inspections**

1. Inspections are carried out through examining and analysing the founding documents of the persons under inspection, amendments made thereto, internal acts of all management bodies, accounting documents drawn up as a result of the operations performed, as well as financial statements, internal and external correspondence, contracts (acts, minutes, etc.), as well as the information stored in computers, in soft or hard copies.
2. During the inspections of the persons under inspection, outside parties shall be prohibited from entering, without the permission of the members of the inspection group, the premises provided to the inspection group.
3. The premises provided to the inspection group may, at the end of the working day, be sealed and put into custody of the person under inspection.
4. Where necessary, the head of the inspection group shall be entitled to seal the office premises of the person under inspection, provided that at that moment there is no other way to ensure the inspection, record-keeping and inventory of the documents, cash and other valuables kept therein. In that case, a relevant act shall be drawn up, which shall be signed by the head of the inspection group and the competent employees of the person under inspection. The form of the act referred to in this point shall be approved by regulatory legal acts of the Central Bank.
5. Non-performance or improper performance, by the person under inspection, its executive officers or other employees, of the duties provided for by this Chapter, including late performance, as well as submission of false or unreliable data shall be deemed an obstacle to the inspection. Any such case shall on the same day be recorded in minutes (an act) by the head of the inspection group or, in case of inspection, by the

competent official of the Central Bank, and submitted to the Chairperson of the Central Bank and to the person under inspection. The form of the minutes (act) referred to in this point shall be approved by regulatory legal acts of the Central Bank.

***(Article 39<sup>2</sup> supplemented by HO-45-N of 3 March 2004)***

**Article 39<sup>3</sup>. Duties of the person under inspection. Responsibility of the Central Bank**

1. The person under inspection shall be obliged to do the following for the inspection group:

(a) during the inspection ensure unimpeded access to the building of the person under inspection or its separate office premises, including server and other computer and software rooms during the whole working day, and in accordance with mutual arrangements on non-working days and non-working hours;

(b) on the first day of the inspection organise a meeting of members of the inspection group with the head (heads) of the executive body of the person under inspection and competent persons assisting in the inspection;

(c) allocate work space with sufficient working conditions and equipped with technical, communication and other necessary means;

(d) provide the inspection group with the complaints and recommendations received from the customers and participators of the person under inspection;

(e) at the request of the inspection group organise a meeting of the audit group with the customers and (or) participators of the person under inspection.

The person under inspection shall be obliged to comply with the lawful requests of the head and members of the inspection group, as well as submit to the head and members of the inspection group written and oral explanations, information and clarifications on the documents and information subject to inspection.

2. Hindering or intervening in the lawful activities of members of the inspection group during inspections shall be prohibited.
3. The Board, the Chairperson as well as the inspection subdivision of the Central Bank may, for the purpose of carrying out inspections, assign the person under inspection to request necessary documents and information from a customer, counterparty, creditor, participator or a person who acquires a holding. The person under inspection shall be obliged to submit the information received from a customer, counterparty, creditor, participator or a person who acquires a shareholding to the Central Bank.
4. The Central Bank shall bear responsibility for the security and returnability of the documents temporarily provided by the person under inspection to the members of the inspection group and other officials of the Central Bank.

***(Article 39<sup>3</sup> supplemented by HO-45-N of 3 March 2004)***

**Article 39<sup>4</sup>.            Rights and obligations of the inspection group**

1. The inspection group shall, for the purpose of carrying out inspections, be entitled to:
  - (a) freely enter all the premises of the person under inspection except for the cash vault, which may be accessed only if accompanied by relevant employees of the person under inspection;
  - (b) make use of the technical means necessary for inspection available with the person under inspection, as well as bring a computer, magnetic carriers, calculators and other devices into the premises of the person under inspection;
  - (c) request from the person under inspection, its executive officers and competent employees documents necessary for inspection, even if they contain information constituting banking, trade or other secret, including:

- founding documents of the person under inspection, amendments made thereto, internal acts of the governing bodies of the person under inspection, internal control acts, other internal acts;
- contracts, internal and external correspondence, cash and settlement documents, financial statements, initial and other accounting documents, internal statements and reports, statements of information, communications, minutes;
- information on operations performed, rejected loan applications, customer complaints and applications;
- documents related to the computer system ensuring the activities of the person under inspection;
- all the documents pertaining to the relations with an independent audit organisation;
- reports of the audit commission, internal audit unit of the person under inspection;
- information and other necessary documents relating to the measures undertaken by the person under inspection for eliminating violations and shortcomings detected as a result of inspection;
- information and other necessary documents relating to the measures undertaken by the person under inspection for complying with the assignments of the Board or Chairperson of the Central Bank;
- information and other necessary documents relating to the process of implementation of the action plan of the person under inspection;
- necessary documents and information available with the person under inspection regarding the customers, participators and counterparties of the person under inspection;

(d) where necessary copy, independently or with the help of the person under inspection, necessary documents, files, records kept in a computing network or separate computer system;

(e) make other justified requests to the executive officers and competent employees of the person under inspection within the scope of their competences, where such requests stem from the necessity and purpose of the inspection.

2. The inspection group shall be obliged to carry out the inspections as prescribed by this Law and legal acts adopted in accordance therewith. The inspection group shall be obliged to submit the reports on the inspections of the persons under inspection to the Board of the Central Bank and the Chairperson of the Central Bank within the time limits and as prescribed by the Chairperson of the Central Bank.

***(Article 39<sup>4</sup> supplemented by HO-45-N of 3 March 2004)***

**Article 39<sup>5</sup>.            Directions (areas) and summarisation of inspections**

1. Inspections may be carried out in the following directions (areas):

(a) inspection of lawfulness of the founding documents and amendments made thereto;

(b) analysis and assessment of the total capital volume and prudential standards;

(c) analysis and assessment of liquidity;

(d) analysis, classification and assessment, analysis and assessment of liabilities;

(e) assessment of management quality;

(f) analysis and assessment of financial results (incomes and expenses);

(g) analysis and assessment of risks and (or) their individual types;

(h) analysis and assessment of money flows;

- (i) inspection of accuracy of data contained in the statements, reports and statements of information submitted to the Central Bank;
- (j) inspection of the process of implementation and outcomes of the assignments and recommendations given by the Central Bank and the contract provided for by Article 39<sup>10</sup> of this Law;
- (k) inspection of the lawfulness of individual types of financial operations of the person under inspection;
- (l) inspection of the premises and technical equipment;
- (m) inspection of activities of territorial subdivisions or parts thereof;
- (n) inspection of compliance of activities of the person under inspection with the requirements of laws and other legal acts regulating activities of the person under inspection;
- (o) inspection of compliance of activities of the person under inspection with the requirements of laws and other legal acts regulating those activities of the person under inspection (except for banks, investment companies, investment fund managers, insurance or re-insurance companies and credit organisations) that are subject to licensing.

2. During inspections analysis and assessment may be carried out in all the directions (areas) provided for by point 1 of this Article or in a part thereof.

3. During inspections the directions (areas) subject to inspection shall be determined by individual legal acts of the Board or Chairperson of the Central Bank.

4. The time limit for summarisation and presentation of the results of the inspection of the given person under inspection shall be prescribed by an individual legal act of the Board or Chairperson of the Central Bank.

5. Before carrying out the inspection, the person under inspection shall, at the request of the Board, the Chairperson or inspection subdivision of the Central Bank, be obliged to prepare or submit to the Central Bank the required documents and information.

6. Within a two-week period following the end of the inspection, preliminary discussion of the results of the inspection shall be held with the participation of the executive officers of the banks, investment companies, investment fund managers, insurance or re-insurance companies, the Bureau or credit organisations, members of the inspection group and participators of the banks, investment companies, investment fund managers, insurance or re-insurance companies, the Bureau or credit organisations included in the list submitted by the Central Bank.

The inspection subdivision shall submit the names of participators of banks, investment companies, investment fund managers, insurance or re-insurance companies, the Bureau or credit organisations or their representatives participating in the preliminary discussion to the Chairperson of the Central Bank for the purpose of agreeing thereupon.

Banks, investment companies, investment fund managers, insurance or re-insurance companies, the Bureau or credit organisations shall, upon the assignment of the Central Bank, be obliged to ensure the submission of information on the results of the inspection to the participators of the banks, investment companies, investment fund managers, insurance or re-insurance companies, the Bureau or credit organisations, as well as ensure their participation and the participation of their representatives in the preliminary discussion of the results of the inspection. The absence of participators of banks, investment companies, insurance or re-insurance companies of investment fund managers, the Bureau or credit organisations or their representatives may not serve as a reason for not holding the preliminary discussion of the results of the inspection. Representatives of an independent audit organisation having carried out an audit inspection in the bank, investment company, insurance or re-insurance company, the Bureau or the credit organisation concerned may, where necessary, also be invited by the inspection group to the preliminary discussion.

The results of the preliminary discussion shall be minuted.



7. Following the end of the inspection, the inspection group shall, within the time limit and in the manner prescribed by the decision of the Chairperson of the Central Bank, draw up a report based on the results of the inspection.
8. The inspection report shall be drawn up in two copies, which the inspection group shall sign and submit to the executive officers of the person under inspection.
9. The person under inspection, the head of its executive body or an official acting in his or her place shall within one week review the report and sign it with the statement “I have reviewed this report”, returning one copy to the inspection group.
10. The person under inspection, its executive body or the head thereof, as well as its participator with a qualifying holding shall be entitled to submit, within the time limit prescribed by point 9 of this Article, their written objections and explanations attaching them to the report, as well as participate in the discussions of the report at the Central Bank. The discussions of the report and of the objections and explanations of the person under inspection shall be organised at the Central Bank within the time limits and in the manner prescribed by the Chairperson of the Central Bank.

***(Article 39<sup>5</sup> supplemented by HO-45-N of 3 March 2004, HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010)***

**Article 39<sup>6</sup>.            Inspection of territorial subdivisions of the person under inspection**

1. Inspections at territorial subdivisions of the person under inspection shall be carried out as prescribed by this Chapter.
2. Following the end of the inspection of a territorial subdivision of the person under inspection, the preliminary results of the inspection shall be discussed with the head and, where necessary, other competent employees of the territorial subdivision.

3. Following the inspection, based on the results of the inspection and results of the discussion provided for by point 2 of this Article, the audit group shall draw up a report, which shall be signed, within a two-day period, by the inspection group and the head of the territorial subdivision of the person under inspection with the statement “I have reviewed this report”. The report shall be drawn up in three copies (one copy for each — the person under inspection, the territorial subdivision of the person under inspection and the inspection group). The head of the territorial subdivision of the person under inspection may, within the two-day period prescribed by this point, submit his or her written objections and explanations attaching them to the report.

4. The summarisation of the results of the inspection of the territorial subdivision of the person under inspection shall be carried out as prescribed by Article 39<sup>5</sup> of this Law.

***(Article 39<sup>6</sup> supplemented by HO-45-N of 3 March 2004)***

#### **Article 39<sup>7</sup>. Grounds for imposing sanctions and sanctions**

The Central Bank may impose sanctions provided for by law on the persons under inspection and their executive officers, where the requirements of laws and other legal acts regulating their activities have not been complied with (hereinafter referred to as “violation”).

***(Article 39<sup>7</sup> supplemented by HO-45-N of 3 March 2004)***

#### **Article 39<sup>8</sup>. Recording of a violation**

1. As a result of inspections, violations by the person under inspection or its executive officer shall be recorded by the inspection subdivision through drawing up a record (hereinafter referred to as “the record”), and from that moment on the

violation shall be deemed recorded. From the moment of recording the violation, proceedings for imposing a sanction on the person under inspection or its executive officer (hereinafter referred to as “the proceedings”) shall commence.

2. The violation shall be described in the record in detail, and the provision of the law or other legal act violated by the person under inspection or its executive officer shall be indicated.

3. Within seven working days from the moment of drawing up the record it shall be sent to the head of the executive body of the person under inspection — and to the chairperson of its board as well, if such board exists — having committed the violation with a note from the head of the inspection subdivision.

4. The person under inspection may, within seven calendar days from the moment of receiving the record, submit to the Central Bank written explanations, objections or clarifications with regard to the record.

***(Article 39<sup>b</sup> supplemented by HO-45-N of 3 March 2004)***

**Article 39<sup>9</sup>.            Collection of fines, imposition of other sanctions**

1. In case of imposition of a fine or other sanctions on the person under inspection or the head thereof, the Central Bank shall notify thereof to the person under inspection or its executive officer as prescribed by its regulatory legal acts.

2. The person under inspection or its executive officer may, after receiving the notice referred to in point 1 of this Article, within the time limit specified in the notice, submit to the Central Bank the carbon copy of the document certifying the payment of the fine or, in case where a banking or correspondent account is available, assign the Central Bank to charge the amount of the fine from its bank (correspondent) account.

3. In case of not receiving the carbon copy of the document or assignment referred to in point 2 of this Article, the Central Bank shall apply to court as prescribed by law.

4. The amounts of the fine provided for by this Article shall be charged as revenues to the state budget of the Republic of Armenia.

*(Article 39<sup>9</sup> supplemented by HO-45-N of 3 March 2004)*

**Article 39<sup>10</sup>. Agreement concluded between a bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group and the Central Bank**

*(title supplemented by HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010, amended by HO-133-N of 12 November 2015)*

1. An agreement may be concluded between the Central Bank and the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group for the purpose of improving the financial situation and ensuring the normal operation of the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group, unless the grounds or one of the grounds for insolvency prescribed by part 1 of Article 2 of the Law of the Republic of Armenia “On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies“ exists. The decision on concluding the agreement prescribed by this Article shall be adopted by the Board of the Central Bank.

2. From the moment of conclusion of the agreement referred to in point 1 of this Article, the proceedings initiated against the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group having concluded the agreement may be suspended or dismissed, the collection of a fine, penalty imposed on the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau may be postponed or

no fine or other sanction may be imposed, the size of a fine, penalty may be reduced or a schedule for collection of a fine, penalty may be set.

3. The following conditions (where applicable) may be provided for by the agreement:

- (a) implementation of a programme for re-organisation or development within a certain period;
- (b) undertaking of measures aimed at eliminating a violation;
- (c) suspension of payment of dividends;
- (d) setting of stricter main prudential standards;
- (e) reduction of salaries of executive officers and termination of bonuses;
- (f) termination or limitation of the volume of individual debit and (or) credit operations;
- (g) limitation of advertising;
- (h) other limitations necessary for the improvement of the financial situation and ensuring of normal operation of the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group.

***(Article 39<sup>10</sup> supplemented by HO-45-N of 3 March 2004, HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010, amended by HO-133-N of 12 November 2015)***

#### **Article 39<sup>11</sup>. Statute of limitations**

The Central Bank may impose a sanction on the person under inspection or its executive officer for a detected violation within one year following the recording of the violation.

***(Article 39<sup>11</sup> supplemented by HO-45-N of 3 March 2004)***

## **Article 39<sup>12</sup>. Dismissal of the proceedings**

1. The Chairperson of the Central Bank may dismiss the proceedings upon his or her decision where:

- (a) the statute of limitations prescribed by Article 39<sup>11</sup> has expired;
- (b) no liability for the violation is provided for by law;
- (c) the violation recorded at the moment of commencement of the proceedings is no longer deemed, on the ground of an amendment of legislation, a violation, or no liability is provided for such violation;
- (d) the fact recorded is not a violation;
- (e) following the termination of the agreement provided for by Article 39<sup>10</sup> of this Law, the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group has entirely complied with the conditions provided for by the agreement.

2. The Chairperson of the Central Bank may dismiss the proceedings upon his or her decision where prior to signing of the decision of the Chairperson of the Central Bank on imposing a sanction the person under inspection or its executive officer has voluntarily eliminated the violation.

3. The Board of the Central Bank shall dismiss the proceedings where the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau or credit organisation has been declared insolvent, and may dismiss the proceedings where the agreement provided for by Article 39<sup>10</sup> of this Law has been concluded with the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group.

4. Where the proceedings on a violation have been dismissed on the ground of point 2 of this Article, the violation concerned shall be deemed committed and be counted in the total number of violations committed by the bank, investment company, investment

fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group and recorded.

***(Article 39<sup>12</sup> supplemented by HO-45-N of 3 March 2004, HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010, amended by HO-133-N of 12 November 2015)***

**Article 39<sup>13</sup>.            Suspension of proceedings**

The Board or the Chairperson of the Central Bank may suspend the proceedings where the imposition of a sanction requires an additional clarification with regard to the violation recorded or new circumstances have emerged or the agreement provided for by Article 39<sup>10</sup> of this Law has been concluded with the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group. The term of and reason for the suspension of the proceedings shall be indicated in the decision on suspension. The term of the suspension may be extended by the Board or the Chairperson where within the previous period of suspension it was not possible to conduct complete examination and analysis of the additional clarifications or emerged new circumstances.

***(Article 39<sup>13</sup> supplemented by HO-45-N of 3 March 2004, HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010, amended by HO-133-N of 12 November 2015)***

**Article 39<sup>14</sup>.            Decision on postponing the collection of a fine, not imposing a fine or another sanction or mitigating a fine**

The Board of the Central Bank may — upon the recommendation of the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group, the Chairperson of the Central Bank,

the inspection subdivision or on its own initiative or upon conclusion of the agreement, provided for by Article 39<sup>10</sup> of this Law, with the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group — adopt a decision on postponing the collection of a fine, not imposing a fine or another sanction or reducing the amount of a fine or defining a schedule for collection of a fine with regard to the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group or the executive officer thereof, where the collection of the fine may result in a difficult financial situation in the bank, investment company, investment fund manager, insurance or re-insurance company, the Bureau, credit organisation or financial group according to the criteria prescribed by the Board of the Central Bank.

*(Article 39<sup>14</sup> supplemented by HO-45-N of 3 March 2004, HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-66-N of 18 May 2010, HO-281-N of 22 December 2010, amended by HO-133-N of 12 November 2015)*

*(Chapter supplemented by HO-45-N of 3 March 2004)*

## CHAPTER 5<sup>2</sup>

*(Chapter supplemented by HO-133-N of 12 November 2015)*

### REGULATION OF FINANCIAL GROUPS

#### **Article 39<sup>15</sup>. Financial group**

1. Within the meaning of this Law and other laws regulating activities of financial organisations, financial group shall mean a group of two or more affiliated financial organisations and the organisation(s) deemed their parent organisation(s) (where applicable).



2. For the purpose of applying part 1 of this Article:

(1) parent organisation shall mean an organisation having control over an organisation. The existence of control shall be established in compliance with International Financial Reporting Standard 10;

(2) financial organisation shall mean a bank, credit organisation, investment company, investment fund manager, insurance (re-insurance) company;

(3) organisation shall mean the financial organisation included in a financial group together with the parent organisation unless otherwise provided for by this Chapter;

(4) organisations shall be deemed affiliated in accordance with the Law of the Republic of Armenia “On banks and banking”;

(5) person in charge shall mean a financial organisation selected by the member organisations of a financial group and appointed by the Central Bank or, in cases prescribed by law, a financial organisation deemed a member of the financial group and appointed by the Central Bank, which shall be obliged to perform — in the manner, within the time limits and with the periodicity prescribed by this Law and regulatory legal acts of the Central Bank — the functions conferred thereupon by this Law and regulatory legal acts of the Central Bank, for non-performance whereof it shall be held liable in accordance with the financial sector law which regulates the activities of the person in charge as those of a financial organisation.

**Article 39<sup>16</sup>. Qualifying organisations as a financial group**

1. Where the grounds mentioned in part 1 of Article 39<sup>15</sup> of this Law exist, organisations shall qualify (be recognised) as a financial group upon the decision of the Board of the Central Bank. The substantiated opinion of the Central Bank or the application of the authorised representative of a group of organisations (in this Chapter hereinafter referred to as “the authorised representative”) for qualifying as a

financial group shall serve as a ground for adoption of the decision referred to in this part. The application submitted by the authorised representative shall contain relevant justifications for qualifying organisations as a financial group, as well as a recommendation on nomination of the person in charge or a recommendation to the Central Bank on appointing the person in charge on its own initiative.

2. The procedure, time limits for qualifying organisations as a financial group, the procedure and form of submitting the application and justifications of the authorised representative shall be prescribed by the Central Bank in its regulatory legal acts.

3. The Central Bank may, for the purpose of exercising effective control, classify the financial group into types, subgroup(s) based on the size, complexity of structure of the financial group and its exposure to risks.

4. The Central Bank shall prescribe through its regulatory legal acts the principles of classification of financial groups into types and subgroups based on residence and other criteria.

5. After making the decision, referred to in part 1 of this Article, on recognising organisations as a financial group, in case of elimination of the grounds provided for by Article 39<sup>15</sup> of this Law for making such a decision, the person in charge shall apply to the Central Bank recommending to terminate the qualification of the organisations as a financial group by providing relevant justifications. Within 30 days following the moment of receipt of the application referred to in this part, the Board of the Central Bank shall, taking into account the possibility of further emergence of the grounds provided for by Article 39<sup>15</sup>, make a decision on terminating the qualification of such organisations as a group or make a decision on granting a probation period not exceeding one year. During the probation period the organisations shall continue to be deemed a financial group. After the end of the probation period prescribed by this part the Board of the Central Bank shall make a decision on terminating the qualification of the given organisations as a financial group or make a decision on

continuing considering the given organisations a financial group. After making the decision, referred to in part 1 of this Article, on recognising organisations as a financial group, in case of elimination of the grounds provided for by Article 39<sup>15</sup> of this Law for making such a decision, where the person in charge fails to apply to the Central Bank recommending to stop to consider the organisations a financial group, the Central Bank may terminate the qualification of the organisations as a group. In case where the grounds provided for by Article 39<sup>15</sup> of this Law exist, but no group risks emerge in relation to the structure of the financial group and relations among members of the financial group according to the substantiated opinion of the Central Bank, the Central Bank may terminate the qualification of organisations as a financial group.

6. Where following the qualification of organisations as a financial group changes have occurred in the composition of the financial group, the Board of the Central Bank shall make a decision on changing the composition of the financial group. The substantiated opinion of the Central Bank or the justifications submitted to the Central Bank by the person in charge may serve as a ground for adoption of the decision referred to in this point.

7. The Board of the Central Bank shall make the decisions on qualifying organisations as a financial group and those on changing the composition of a financial group within 30 days following the moment of emergence of circumstances deemed a ground for making such decisions (application of the authorised person, revealing of information necessary for the substantiated opinion of the Central Bank).

#### **Article 39<sup>17</sup>. Register of financial groups**

1. The register of financial groups (in this Chapter hereinafter referred to as “the Register”) is a data system where information on financial groups is registered.

2. The Register shall be kept by the Central Bank.

3. The procedure for keeping the Register and the list of information to be included in the Register shall be prescribed by a decision of the Board of the Central Bank.

**Article 39<sup>18</sup>. Person in charge of a financial group**

1. Where the decision on qualifying organisations as a financial group has been made based on the application referred to in part 1 of Article 39<sup>16</sup> of this Law, the person, referred to in the application submitted in accordance with part 1 of Article 39<sup>16</sup> of this Law, shall be indicated in the decision on qualifying organisations as a financial group, provided that that person complies with the criteria for a person in charge.

2. Where the person referred to in the application submitted in accordance with part 1 of Article 39<sup>16</sup> of the Law fails to comply with the criteria for a person in charge or where the competence to appoint a person in charge based on that application has been conferred upon the Central Bank, the person in charge shall be appointed by the Central Bank.

3. Where the decision on qualifying organisations as a financial group has been made based on the substantiated opinion of the Central Bank, the Central Bank shall, after making the decision on qualifying organisations as a financial group and registering in the Register, recommend that the financial group select a person in charge within 15 working days and notify thereof to the Central Bank. The Board of the Central Bank shall, following the receipt of the notification referred to in this part, make a decision on appointing a person in charge of a financial group. Where a financial group fails to select, within 15 working days following the receipt of the recommendation by the Central Bank referred to in this part, a person in charge complying with the criteria for a person in charge, the Board of the Central Bank shall appoint the person in charge.

4. The criteria for a person in charge shall be prescribed by the regulatory legal acts of the Central Bank.
5. The appointment of a person in charge (irrespective of whether the person in charge has been appointed on the basis of an application or on the initiative of the Central Bank) may be revoked upon a decision of the Board of the Central Bank, where in its substantiated opinion it considers that the person in charge concerned is not able or will not be able to perform the duties prescribed for a person in charge under this Law.
6. Within 15 working days upon making the decision on revoking the appointment of a person in charge, the financial group must submit to the Central Bank a nomination for a new person in charge. In case of failure to submit a nomination for a new person in charge within the time limit prescribed by this part or non-compliance of the submitted nomination with the criteria for a person in charge, the new person in charge shall be appointed by the Board of the Central Bank within 15 working days.
7. The financial group may apply to the Central Bank for replacing the person in charge by submitting justifications on making the replacement and the possibility of efficient performance of duties by the person in charge being appointed. The Central Bank shall discuss the application referred to in this point and make a decision with regard to it within 10 working days upon the submission of the application.

**Article 39<sup>19</sup>.            Publication of information and submission thereof to the  
Central Bank by a financial group**

1. The person in charge of the financial group shall be obliged to publish on its official website the reports and information on a financial group (individual type of a financial group, subgroup) prescribed by the Central Bank.

2. The Central Bank may request, with the periodicity prescribed by itself, reports and other information provided for by regulatory legal acts of the Central Bank with regard to a financial group (individual type of a financial group, subgroup) and (or) an organisation included in the financial group.

**Article 39<sup>20</sup>. Main prudential standards for activities of a financial group**

1. The Board of the Central Bank may, for the purpose of deterring risks of a financial group, prescribe the following main prudential standards for a financial group and (or) individual type of a financial group and (or) subgroup:

- (1) minimum amount of the total capital, minimum adequacy ratios for the total and core capitals of a financial group (individual type of a financial group, subgroup);
- (2) maximum amount(s) of the risk for one borrower of a financial group (individual type of a financial group, subgroup);
- (3) maximum amount(s) of the risks for intra-group transactions of a financial group (individual type of a financial group, subgroup); Intra-group transactions shall mean transactions between organisations included in a financial group or between those organisations (one of them) and persons related — within the meaning of the Law of the Republic of Armenia “On banks and banking” — to those organisations (one of them);
- (4) maximum amount(s) of the risk for all major borrowers of a financial group (individual type of a financial group, subgroup) not deemed a member of the group. The criteria for qualifying as a major borrower shall be prescribed by a decision of the Board of the Central Bank;
- (5) liquidity standard(s);
- (6) foreign currency disposal standard(s);

(7) maximum amount of one insurance risk;

(8) assets covering technical reserves.

2. For an individual financial group and (or) type of a financial group and (or) subgroup the Central Bank may prescribe main prudential standards stricter than those prescribed for other financial groups and (or) types of financial groups and (or) subgroups, where the financial indicators of the given financial group and (or) type of financial group and (or) subgroup have declined or may decline according to the substantiated opinion of the Central Bank, or the financial group and (or) type of financial group and (or) subgroup carries out its activities in high-risk areas.

3. The limits of the main prudential standards referred to in part 1 of this Article, the procedure for their calculation, the elements to be included in the calculation and the periodicity shall be prescribed by the Board of the Central Bank.

4. The calculation of the main prudential standards prescribed by this Article shall be submitted to the Central Bank by the person in charge.

#### **Article 39<sup>21</sup>. Legal regulation of activities of financial groups**

1. The Central Bank may recommend that a person with a qualifying holding in the authorised capital of a financial organisation which is a member of a financial group and a resident of the Republic of Armenia alienate (terminate), within a reasonable time limit set as agreed between the Central Bank and that person, the holding of that person in the financial organisation, as well as recommend that a financial organisation which is a member of a financial group and a resident of the Republic of Armenia alienate (terminate) its holding in the authorised capital of another organisation, where that holding, according to the substantiated opinion of the Central Bank, may cause risks for the financial group or for the financial organisation which is a member of a financial group and a resident of the Republic of Armenia or may endanger the interests of customers or consumers of the financial organisation which

is a member of a financial group and a resident of the Republic of Armenia or hinder the exercising of efficient control over the financial group or the financial organisation which is a member of a financial group.

2. In case where, as provided for by part 1 of this Article, the person having acquired a qualifying holding in the authorised capital of a financial organisation which is a member of a financial group and a resident of the Republic of Armenia or the financial organisation which is a member of a financial group and a resident of the Republic of Armenia fail to alienate (terminate) that holding in another organisation, the Central Bank shall be entitled to deprive that participator of the right to vote in the making of decisions and confer that right upon the temporary governing body appointed by the Board of the Central Bank, the criteria and procedure for appointment of which shall be prescribed by the Central Bank.

#### **Article 39<sup>22</sup>. Liability**

1. In case of non-compliance with the requirements prescribed by this Law and other legal acts regulating the activities of financial groups, a financial group shall be held liable through the person in charge. The sanctions prescribed by the Law of the Republic of Armenia “On banks and banking” shall be imposed on financial groups.

*(Chapter supplemented by HO-133-N of 12 November 2015)*

## **CHAPTER 6**

### ***CURRENCY OF THE REPUBLIC OF ARMENIA***

#### **Article 40. Currency of the Republic of Armenia**



1. The currency of the Republic of Armenia shall be the Armenian dram. One dram shall be equal to 100 luma. The Armenian dram shall be issued (circulated) in the form of banknotes and coins (including commemorative coins), and luma shall be issued in the form coins (including commemorative coins).

2. According to this Law, the banknotes and coins (including commemorative coins) issued and not withdrawn from circulation shall be unconditional liabilities of the Central Bank and be secured by all of its funds.

***(Article 40 amended by HO-44-N of 25 December 2006)***

**Article 41. Legal tender**

Banknotes and coins (including commemorative coins) issued and not withdrawn from circulation by the Central Bank shall be legal tender against property, property rights, services and works and shall be unconditionally accepted at their nominal value against all obligations in monetary terms within the territory of the Republic of Armenia.

***(Article 41 amended by HO-44-N of 25 December 2006)***

**Article 42. Competence to issue and withdraw banknotes and coins  
(including commemorative coins) from circulation**

1. The issuance, recall and withdrawal of banknotes and coins (including commemorative coins) from circulation as a legal tender within the territory of the Republic of Armenia shall be the competence of the Central Bank.

2. The Central Bank shall organise and ensure the printing of banknotes and minting of coins (including commemorative coins), safekeeping of banknotes and coins (including commemorative coins) available at the Central Bank, as well as their destruction in cases prescribed by laws and other legal acts of the Republic of Armenia.

*(title amended by HO-44-N of 25 December 2006)*

*(Article 42 amended by HO-44-N of 25 December 2006)*

**Article 43. Reserves of and programme of issuance of the currency of the Republic of Armenia**

The Central Bank shall reflect the currency reserves of the Republic of Armenia in its balance sheet and manage them, draw up a programme of issuance of the currency of the Republic of Armenia and ensure the regular supply of banknotes and coins (including commemorative coins) based on the annual monetary policy programme and the economy requirements.

*(Article 43 amended by HO-44-N of 25 December 2006)*

**Article 44. Accounting of issued banknotes and coins (including commemorative coins)**

The aggregate amount of the issued banknotes and coins (including commemorative coins) shall be recorded in the balance sheet of the Central Bank as a liability of the Central Bank. Banknotes and coins (including commemorative coins) deposited in reserves shall not be deemed liabilities of the Central Bank and shall be recorded in the off-balance sheet accounts.

*(title amended by HO-44-N of 25 December 2006)*

*(Article 44 amended by HO-44-N of 25 December 2006)*

**Article 45. Features of the Armenian dram**

The Central Bank shall define the nominal value, size, weight, design with images and inscriptions, as well as security and receivability criteria of banknotes and coins (including commemorative coins) deemed legal tender of the Republic of Armenia.

Banknotes deemed legal tender of the Republic of Armenia shall bear the signatures of the Chairperson of the Central Bank of the Republic of Armenia and the head of the body authorised by the Government.

Where the image of a banknote of the Republic of Armenia is used in the form of a print on paper for advertising or other purposes, the linear dimensions (width and length) of the image used must be smaller or bigger by at least 25 per cent of its real dimensions set by the Central Bank, except for cases where that image is used by the Central Bank.

The concurrent use of the images of obverse and reverse of a banknote of the Republic of Armenia for purposes and in dimensions referred to in part 2 of this Article shall be allowed only on one side of a paper, except for cases where those images are used by the Central Bank.

During shooting of films, theatrical, circus and other performances, operational intelligence activities and in other exclusive cases exceptions from the rules prescribed by parts 2 and 3 of this Article may be envisaged by permission of the Central Bank. In such cases, immediately after the use of the images of the banknote of the Republic of Armenia they must be destroyed together with the materials used for preparing them (files, matrices, prints, etc.) as prescribed by and under the supervision of the Central Bank.

The control over the implementation of parts 2 and 3 of this Article shall be carried out and administrative sanctions for violating them shall be imposed by the authorised state administration body as prescribed by the Law of the Republic of Armenia “On advertising”.

***(Article 45 supplemented by HO-73-N of 11 May 2004, amended by HO-44-N of 25 December 2006)***

**Article 46. Exchange of banknotes and coins (including commemorative**

**coins)**

1. The Central Bank shall exchange, as prescribed by itself, worn-out and damaged banknotes and coins (including commemorative coins) which are compliant with the receivability criteria free of charge and without limitations in relation to the amount.
2. The currency failing to comply with the security and receivability criteria defined by the Central Bank for banknotes and coins (including commemorative coins) shall not be reimbursed by the Central Bank and shall be withdrawn from circulation.
3. The Central Bank shall provide no reimbursement for lost banknotes and coins (including commemorative coins).

***(title amended by HO-44-N of 25 December 2006)***

***(Article 46 edited by HO-243 of 23 October 2001, amended by HO-44-N of 25 December 2006)***

**Article 47. Recall and withdrawal of banknotes and coins (including commemorative coins) from circulation**

1. The Central Bank may recall and withdraw from circulation any banknote or coin (including commemorative coin) issued, by issuing a banknote or coin (including commemorative coin) with new security features and with the same nominal value or any other banknote or coin (including commemorative coin) with a new nominal value.

Recall and withdrawal of banknotes or coins (including commemorative coins) from circulation in cases not provided for by this part shall be carried out as prescribed by law.

The Central Bank shall prescribe the time limit for submitting banknotes or coins (including commemorative coins) recalled from circulation for exchange, which may not be less than one year. The quantity and amount of banknotes or coins (including commemorative coins) submitted for exchange may not be limited.

2. Banknotes or coins (including commemorative coins) recalled from circulation after the expiry of the time limit provided for by part 1 of this Article shall cease to be legal tender, but shall be subject to exchange without limitations.

*(title amended by HO-44-N of 25 December 2006)*

*(Article 47 edited by HO-243 of 23 October 2001, amended by HO-44-N of 25 December 2006)*

## CHAPTER 7

### **CURRENCY REGULATION, CONTROL AND OPERATIONS.**

#### **INTERNATIONAL RESERVES**

#### **Article 48. The Central Bank as a currency broker**

1. The Central Bank shall be the currency broker of the Republic of Armenia and shall be authorised to implement currency policy.
2. In accordance with the provisions of this Law, the Central Bank may make statements and provide necessary information with regard to the currency policy that it implements.

#### **Article 49. Currency regulation**

1. The Central Bank shall prescribe the procedure for performance of foreign exchange transactions, determining the exchange rate of the Armenian dram to foreign currency, licensing foreign exchange purchase and sale operations.
2. The Central Bank shall have the right to:
  - (a) prescribe the procedure for and conditions of performing currency operations, adopt decisions and rules regulating currency operations;

- (b) control and regulate activities of dealers/brokers, including banks, performing currency operations;
- (c) prescribe the foreign currency disposal standard for dealers/brokers, including banks, investment companies, investment fund managers, and insurers;
- (d) prescribe the methods for determining the exchange rate of the Armenian dram;
- (e) exercise other powers prescribed by law and other legal acts.

***(title amended by HO-243 of 23 October 2001)***

***(Article 49 supplemented by HO-243 of 23 October 2001, HO-44-N of 25 December 2006, HO-183-N of 9 April 2007, HO-200-N of 11 October 2007, HO-281-N of 22 December 2010)***

#### **Article 50. Reports on currency operations**

1. The Central Bank shall be entitled to require from the persons that it licenses and audits periodical reports on currency operations performed by them.
2. The Central Bank shall prescribe the forms and procedure for submission of the reports on currency operations.

***(title amended by HO-243 of 23 October 2001)***

***(Article 50 edited by HO-245-N of 8 December 2005)***

#### **Article 51. Currency operations of the Central Bank**

1. The Central Bank may possess, use and dispose of:
  - (a) coins (including commemorative coins) and standardised bullions made of gold and other precious metals;

- (b) foreign currency;
  - (c) securities issued or guaranteed by other states, central banks and other leading banks, international financial organisations, as well as leading foreign banks.
2. The Central Bank may set the exchange rate at which it shall purchase or sell foreign currency or conduct other transactions in foreign currency.

***(Article 51 amended by HO-44-N of 25 December 2006)***

**Article 52. International reserves of the Republic of Armenia**

1. The Central Bank shall reflect in its balance sheet the international reserves of the Republic of Armenia, which may incorporate the following holdings:
- (a) coins (including commemorative coins) and standardised bullions made of gold and other precious metals;
  - (b) banknotes and coins (including commemorative coins) denominated in foreign currency, as well as demand and term deposits with foreign central banks and foreign leading commercial banks, deposit certificates and repurchase agreements;
  - (c) other reserve holdings, including special drawing rights in the International Monetary Fund;
  - (d) forwards, futures, swaps and other derivative instruments;
  - (e) bonds, assets and mortgage-backed securities with fixed or floating interest rates, issued by other states, central banks, agencies directly or indirectly guaranteed by states or by international financial organisations.
2. The primary criterion for allocation of reserve holdings shall be the security and liquidity of the allocated holdings. The Central Bank shall maintain the international reserves at a level which complies with the implementation of the monetary policy and ensures smooth fulfilment of the international obligations of the Republic of Armenia.

3. The Central Bank shall, once every quarter, submit information to the Government on the state and composition of the international reserves and shall publish it. Where the level of international reserves of the Republic of Armenia decreases or, according to the Central Bank, it tends to decrease to such an extent as to jeopardise the implementation of the monetary policy or smooth fulfilment of the international obligations of the Republic of Armenia, the Central Bank shall submit extraordinary information to the Government with regard to the state of the international reserves, reasons for the decrease or possible decrease in their level, as well as measures necessary for remedying the situation that has been created, and shall notify thereof to the President of the Republic of Armenia and the National Assembly.

***(Article 52 edited, amended by HO-36-N of 25 December 2006, amended by HO-44-N of 25 December 2006)***

**Article 53. Foreign currency gains and losses**

***(Article repealed by HO-45-N of 3 March 2004)***

## **CHAPTER 7<sup>1</sup>**

### **COMPULSORY BANK DEPOSIT GUARANTEE**

***(Chapter repealed by HO-147-N of 24 November 2004)***

## **CHAPTER 8**

### ***ADDITIONAL PROVISIONS***



**Article 54. Preferential right of the Central Bank**

The Central Bank shall have the preferential right to satisfy its claims against its debtor at the expense of monetary and other assets the debtor concerned holds with the Central Bank, except for cases where:

- (a) upon acceptance of such assets the Central Bank was aware or was obliged to be aware that the assets concerned were pledged, or that third parties had claims on them;
- (b) otherwise is provided for by agreements concluded with the Central Bank.

**Article 55. Taxes, duties and customs payments**

The Central Bank of the Republic of Armenia shall be exempt from taxes and duties. The privilege prescribed by this Article shall not apply to taxes, customs duties and customs payments subject to payment at the customs border for importing goods.

*(Article 55 edited by HO-49-N of 25 December 2003)*

**Article 56. Other transactions of the Central Bank**

The Central Bank may enter into the following transactions:

- (a) investing in the capital of legal persons whose activities directly deal with the objectives of the Central Bank;
- (b) acquiring or renting real property necessary for the implementation of the objectives related to the capital;
- (c) acquiring, possessing, using and alienating property and property rights against obligations to the Central Bank. The Central Bank shall alienate the mentioned property and property rights within shortest possible time limits;
- (d) extending loans, as prescribed by itself, to the Chairperson, Deputy Chairpersons, other members of the Board and officers of the Central Bank.

*(Article 56 amended by HO-243 of 23 October 2001, HO-200-N of 11 October 2007, HO-133-N of 12 November 2015)*

**Article 57. Appeal against actions and decisions of the Central Bank**

The regulatory, internal and individual legal acts of the Central Bank may be appealed to the court. The effect of the regulatory, internal and individual legal acts of the Central Bank may not be suspended throughout the judicial examination of the case.

*(Article 57 edited by HO-243 of 23 October 2001, supplemented, amended by HO-45-N of 3 March 2004, amended by HO-200-N of 11 October 2007)*

**Article 58. Conversion of the Central Bank**

The Central Bank shall be converted in accordance with law. Bankruptcy proceedings may not be instituted against the Central Bank.

## **CHAPTER 9**

### ***TRANSITIONAL PROVISIONS***

**Article 59. Transitional provisions**

1. This Law shall enter into force 60 days following its promulgation.
2. The Chairperson of the Central Bank shall perform the powers conferred thereupon by this Law until the end of the term of his or her powers.
3. The First Deputy Chairperson of the Central Bank shall perform the powers conferred upon the Deputy Chairperson of the Central Bank by this Law until the end of the term of his or her powers.

4. The powers of the members of the Department of the Central Bank shall terminate upon entry into force of this Law.

5. Within one week following the entry into force of this Law the President of the Republic of Armenia shall appoint the five members of the Board of the Central Bank.

6. After the principal reserve of the Central Bank is, as provided for by Article 12 of this Law, replenished from the profit gained during the financial year of 1996, deductions shall be made for the purpose of replenishing the authorised capital in the amount prescribed by Article 11 of this Law.

After replenishment of the principal reserve of the Central Bank, where the available profit balance is not sufficient for replenishing the authorised capital in the amount prescribed by Article 11 of this Law, the Government of the Republic of Armenia shall, within 30 days following the end of the financial year, provide in the deficient amount, as prescribed by law, as an investment in the capital of the Central Bank, perpetual government bonds at a market interest rate. These bonds shall be repaid at the expense of the state budget or as prescribed by Article 12 of this Law. Until those obligations are fully repaid, the Government of the Republic of Armenia shall, before December 15 during each financial year, pay the interests calculated on the mentioned bonds to the Central Bank based on the market interest rate of the given year.

7. In case the Law of the Republic of Armenia on the State Budget of 1997 envisages repayment by way of offsetting the interests calculated on the loans extended by the Central Bank to the Government, the distribution provided for by Article 12 of this Law shall be in the amount of the difference between the profit of the Central Bank and the sum offset to the state budget.

8. The Central Bank shall, within two months following the adoption of this Law, adopt regulatory acts, reserved to its competence, necessary for the implementation of this Law.

9. Until 1999, a procedure for lending to the Government of the Republic of Armenia other than that prescribed by Article 34 of this Law may be prescribed by Laws of the Republic of Armenia on the State Budget.

10. Upon entry into force of this Law, the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia” of 27 April 1993 shall be repealed.

11. Upon entry into force of this Law, the Decision of the Presidency of the Supreme Council of the Republic of Armenia “On approving the Charter of the Central Bank of the Republic of Armenia” of 10 February 1995 shall be repealed.

12. Upon entry into force of this Law, the words “Department of the Central Bank” in the Law of the Republic of Armenia “On bankruptcy of banks” shall be replaced by the words “Board of the Central Bank”.

#### **Article 60.**

Instructions regarding the provisions of Article 55 of this Law, as well as clarifications thereto shall be approved — agreeing with the Ministry of Finance and Economy of the Republic of Armenia and the Central Bank of the Republic of Armenia — by the State Tax Service under the Government of the Republic of Armenia and the State Customs Committee under the Government of the Republic of Armenia.

***(Article 60 supplemented by HO-49-N of 25 December 2003)***

**President  
of the Republic of Armenia**

**L. Ter-Petrosyan**

30 June 1996

City of Yerevan

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