

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

Adopted on 29 May 2002

**ON CREDIT ORGANISATIONS**

**CHAPTER 1**

***GENERAL PROVISIONS***

**Article 1. Subject matter of the Law**

This Law shall cover the procedure and conditions for licensing, regulating the activities and exercising supervision over the activities of credit organisations, including those of credit unions, savings unions, leasing and factoring organisations and other credit organisations, as well as the procedure for changing the type of the activities of the banks operating in the territory of the Republic of Armenia.

This Law shall not extend to banks (except for the cases provided for in Chapter 6 of this Law), insurance companies, professional securities market participants, pension funds, investment funds, investment fund managers, pawnshops, and agricultural credit associations, the activities whereof shall be regulated by other laws and legal acts.

***(Article 1 supplemented by HO-289-N of 22 December 2010, amended by HO-132-N of 14 April 2011)***

## **Article 2. Legal Regulation of the Activities of Credit Organisations**

1. The activities of credit organisations shall be regulated by the Constitution of the Republic of Armenia, the Civil Code of the Republic of Armenia, this Law, other laws of the Republic of Armenia, international treaties of the Republic of Armenia, whereas in the cases prescribed by law — by regulatory legal acts of the Central Bank of the Republic of Armenia (hereinafter referred to as “the Central Bank”). Any additional requirements to the activities of the credit organisation acting as a member of a banking group shall be defined by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.

2. Insolvency and bankruptcy procedure of credit organisations shall be defined by the Law of the Republic of Armenia “On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies”.

The grounds and procedure for liquidation of credit organisations shall be defined by Chapter 9 of the Law of the Republic of Armenia “On banks and banking”.

3. Where the international treaties of the Republic of Armenia provide for norms other than those stipulated by this Law, the norms of the international treaties shall apply.

***(Article 2 amended by HO-182-N of 9 April 2007, HO-196-N of 11 October 2007, supplemented by HO-289-N of 22 December 2010, HO-135-N of 12 November 2015)***

## **Article 3. Definitions On the Credit Organisation and its Activities**

1. A credit organisation shall be deemed as a legal person having been granted a licence as prescribed by this Law, which is entitled to perform the types of activities determined by this Law.

2. The attraction of borrowings as an entrepreneurial activity and (or) conclusion of similar transactions and (or) allocation of credits or making other investments stipulated by this Law shall be deemed as activities of a credit organisation.

Within the meaning of the legislation of the Republic of Armenia regulating the activities of credit organisations, similar transactions shall also include public offering of investment (bonds) and payable securities (except for securities issued by investment funds) or conclusion of transactions which entail financial (monetary) obligations for credit organisations but are not related with the sale of goods, delivery of services to or performance of works for the creditor by the credit organisation.

3. In the Republic of Armenia other persons except for banks and credit organisations, as well as investment funds and investment fund managers, shall be prohibited from carrying out any of the activities specified in point 2 of this Article.

4. A credit organisation may be established in the legal organisational form of a limited liability company, joint stock company or a non-profit cooperative enterprise. Savings unions may be established exclusively in the form of cooperative enterprises.

5. The Central Bank may impose certain restrictions on the activities of credit organisations by permitting or restricting a part of the operations prescribed by Article 8 of this Law. These restrictions, inter alia, may be imposed on the attraction by credit organisations of funds and the size thereof, on allocation of funds and the size thereof as well as on the framework of persons wherefrom the credit organisation may attract and (or) within the framework whereof the credit organisation may allocate funds. The restrictions provided for by this point must be the same for the same type (group) of credit organisations, except for the cases provided for by point 3 of Article 8 of this Law.

6. Within the meaning of this Law and other laws and regulatory legal acts of the Republic of Armenia covering the activities of credit organisations, the credit organisations shall be classified into the following types (groups):

(a) credit unions which attract funds from their participants and allocate funds thereto, whereas in the cases provided for by the regulatory legal acts of the Central Bank — attract funds from other persons or allocate funds to the latter;

(b) savings unions which attract funds from their participants and allocate funds thereto;

(c) financial leasing (leasing) organisations the main activities whereof is the conclusion of financial leasing (leasing) transactions under the procedure and conditions prescribed by paragraph 6 of Chapter 35 of the Civil Code of the Republic of Armenia;

(d) factoring organisations the main activities whereof is the conclusion of factoring transactions under the procedure and conditions prescribed by Chapter 48 of the Civil Code of the Republic of Armenia;

(d.1) consumer credit organisations which conclude credit contracts covered by the Law of the Republic of Armenia “On consumer credits” for the purpose of financing the purchase of goods sold, the services provided, and the works performed thereby;

(e) other credit organisations the main activities whereof is the implementation of the activities or one of the activities referred to in point 2 of Article 3 of this Law.

7. The implementation of the activities prescribed by this Law without the corresponding licence for the operation of a credit organisation entails liability prescribed by the legislation of the Republic of Armenia.

***(Article 3 supplemented by HO-520-N of 31 March 2003, amended, supplemented by HO-24-N of 8 April 2008, supplemented by HO-129-N of 17 June 2008, amended, supplemented by HO-289-N of 22 December 2010, amended by HO-132-N of 14 April 2011)***

**Article 4. The Use of the Phrase “Credit Organisation”**

1. The phrase “credit organisation” may be used solely in the trading name of an organisation having obtained a licence of a credit organisation. The use of this phrase or the derivatives thereof, by persons not holding a licence of a credit organisation, in advertisements, public offers, as well as rendering assistance to similar advertising entities shall be prohibited.

2. Credit organisations shall not be entitled to use in their trading names misleading words that may give rise to erroneous assumptions as to the financial condition or legal status of the given credit organisation.

**CHAPTER 2**

***STATE REGISTRATION AND LICENSING OF CREDIT ORGANISATIONS***

**Article 5. State Registration and Licensing of Credit Organisations, Re-registration of Credit Granting Legal Persons**

1. For the purposes of registration and licensing of a credit organisation, its founders shall submit to the Central Bank:

(a) the application for registration and licensing — in the form defined by the Central Bank;

(b) the Statute of the credit organisation approved by the Board of Founders of the credit organisation — in 6 copies;

(b1) claim for the registration of the trading name of the credit organisation where the requirements thereto, the list of the documents submitted therewith, as well as the relations pertaining to the consideration of the claim and registration of the trading name and changes therein shall be regulated under the procedure jointly established

by the Central Bank and authorised body of the Government of the Republic of Armenia;

(c) the decision of the Board of Founders of the credit organisation on appointing the executives of the credit organisation;

(d) the statement of information on the performance of executives of the credit organisation drawn up in the form established by the Central Bank;

(e) the statement of the major participants of the authorised capital of the credit organisation on the absence of the grounds provided for by point 2 of Article 10 of this Law, drawn up in the form established by the Central Bank;

(f) regulation on the activities of credit organisation which shall be approved by the supreme corporate body thereof and shall include the type, the field of activities of the credit organisation, the rules of procedure thereof, the methods and procedures for the attraction and allocation of funds, and other provisions established by the Central Bank and not contradicting the legislation of the Republic of Armenia. The Central Bank may, for different types (groups) of credit organisations and as of types of activities, approve model regulations upon regulatory legal acts adopted thereby;

(g) the business plan for upcoming three years of the credit organisation — in accordance with the requirements defined by the Central Bank;

(h) state duty payment receipt;

(i) other documents prescribed by regulatory legal acts of the Central Bank which are necessary for the clarification of the facts significant for the registration and licensing of the credit organisation.

2. The Central Bank shall, upon receipt of the documents and information prescribed by point 1 of this Article, as well as in accordance with subpoint (i) of point 1 of this Article — the documents prescribed by the regulatory legal acts of the Central Bank, register and license the credit organisation or reject the registration

and licensing thereof within a period of one month. The credit organisation shall be registered and licensed if the following requirements have been met:

(a) the authorised capital of the credit organisation has been paid in full to the cumulative bank account in the Central Bank or in any other bank operating in the territory of the Republic of Armenia;

(b) the territory and its technical equipment used for the activities of the credit organisation comply with the requirements defined by the regulatory legal acts of the Central Bank which are necessary for ensuring the smooth operation of the credit organisation;

(c) the executives of the credit organisation meet the qualification criteria and those on professional competence defined by the Central Bank;

(d) major participants of the credit organisation have acquired the approval of the Central Bank.

3. The Central Bank shall, within a period of three days upon taking the decision on registration and licensing, issue a registration certificate and a licence to the credit organisation, by notifying the State Register of the Republic of Armenia thereof aimed at making relevant entry on the registration of the credit organisation.

4. Upon having been registered in the Central Bank the credit organisation shall obtain the status of a legal person and shall be considered as licensed.

5. The Central Bank shall reject the registration and licensing of the credit organisation where:

(a) false or inaccurate information has been submitted;

(b) the submitted documents are inappropriate, incomplete or contradict the laws and other legal acts of the Republic of Armenia;

(c) the requirements referred to in point 2 of this Article have not been met.

6. The Central Bank shall consider the application for registration and obtaining a licence within a period of one month and decide on granting or rejecting the application. For the purpose of clarifying the facts significant for the registration and licensing of the credit organisation, the Central Bank may suspend the time period of one month but not more than once and for a period of maximum three months. In case of suspension of the time period of one month, it shall be terminated upon suspension until the clarification of the facts constituting grounds for suspension (expiry of time period for suspension), following which the period of one month shall restart.

Where the application for registration and obtaining a licence is not granted, rejected or where the period of one month is not suspended by the Central Bank, the credit organisation shall be deemed as registered and licensed, provided that it has paid the state duty. That being the case, the Central Bank shall be obliged to grant a licence within 5 working days.

7. Legal persons which, prior to the entry into force of this Law, have acted as a credit organisation as their main type of activities, may within a period of three months following the time period specified in Article 23 of this Law, apply to the Central Bank as prescribed by this Law for undergoing re-registration as a credit organisation.

8. The Central Bank shall re-register and license the mentioned persons in case of meeting the requirements and conditions set forth in Article 5 of this Law, except for the condition set forth in subpoint (a) of point 2 of Article 5 of this Law. Moreover, no fees or duties shall be charged for re-registration and licensing prescribed by this Article.

***(Article 5 supplemented, edited by HO-24-N of 8 April 2008, supplemented by HO-142-N of 8 June 2009, amended by HO-150-N of 19 March 2012)***



## **Article 5.1. The Authorised Capital of Credit Organisations**

The authorised capital of credit organisations shall be replenished and the payment for stocks (shares and equity) shall be made exclusively in the Armenian dram, except for the cases of reconstruction of credit organisations where the payment and replenishment of the authorised capital may be carried out through conversion of stocks and (or) shares.

***(Article 5.1 supplemented by HO-24-N of 8 April 2008)***

## **Article 6. The Licence of a Credit Organisation**

1. The licence of a credit organisation shall be considered as valid for an unlimited time period.
2. The licence of a credit organisation may not be transferred to other persons for use, alienated or pledged.
3. The reference number of a licence, the date of issue thereof, the full trading name of the credit organisation, the state registration number, and the authorised operations shall be indicated in the licence of the credit organisation. The single form of a licence of the credit organisation shall be established by the Central Bank.
4. The Central Bank shall maintain the registry of licences issued which shall be open for public access. The form of the registry, the rules of maintenance thereof, as well as the information included therein shall be established by the Central Bank.
5. Upon entry into force of the decision of the Central Bank on declaring the licence as invalid, the credit organisation shall be deprived of the right to carry out activities of a credit organisation, except for the transactions aimed at the fulfilment of the assumed obligations, realisation of assets and the final distribution thereof. The decision of the Central Bank on declaring the licence as invalid shall together with its justifications be submitted to the credit organisation within a period of three days.

6. Where the decision of the Central Bank on declaring the licence as invalid is being appealed against, through a judicial procedure, it may not be suspended throughout the entire judicial examination of the case.

***(Article 6 supplemented by HO-24-N of 8 April 2008)***

## **Article 7. Registration of a Branch or a Representation Office**

***(title amended by HO-24-N of 8 April 2008)***

1. A credit organisation may, as prescribed by this Law and regulatory legal acts adopted by the Central Bank, open branches and representative offices in the territory of the Republic of Armenia or in foreign States, which may operate upon being registered in the Central Bank. Branches and representative offices of credit organisations in foreign States shall be established in accordance with the legislation of the given country and (or) the international treaties of the Republic of Armenia.

2. The procedure for registration of branches and representative offices of a credit organisation, the list of information and documents required for registration shall be established by the regulatory legal acts of the Central Bank.

3. The President of the Central Bank shall grant or reject the application for registration of a branch or a representative office of a credit organisation within a period of one month. Where the President grants the application, the Central Bank shall register the branch or the representative office and issue a registration certificate, whereas in case of rejection — shall notify the credit organisation of the grounds for rejection within a period of five days.

The credit organisation may temporarily terminate the operation of its branch or representative office by notifying — one week prior to termination — the Central Bank of the termination and the time period thereof.

4. The Central Bank shall reject the application for registration of a branch or representative office, where:

- (a) false or inaccurate information has been submitted;
- (b) the submitted documents are inappropriate, incomplete or contradict the laws and other legal acts of the Republic of Armenia;
- (c) at the time of submitting the application or during the consideration thereof, the credit organisation has violated at least one of the main prudential standards established by the Central Bank.

5. The Central Bank shall cancel the registration of the branch or the representative office of a credit organisation:

- (a) on the basis of the application of the credit organisation — within a period of one week upon receipt of the application;
- (b) in case of liquidation of the credit organisation.

***(Article 7 amended, edited, supplemented by HO-24-N of 8 April 2008)***

### **CHAPTER 3**

#### ***REGULATION OF AND SUPERVISION OVER THE ACTIVITIES OF CREDIT ORGANISATIONS***

##### **Article 8. The Financial Operations**

1. A credit organisation may, based on the licence prescribed by this Law, exercise the following financial operations or a part of them:

- (a) attract loans and (or) conclude similar transactions;

- (b) grant credits and loans, effect financing of debts or commercial transactions, execute factoring;
- (c) grant guarantees;
- (d) issue securities, as well as exercise transactions in securities at the expense and on behalf thereof;
- (d1) render clearing services related with the activities of the credit organisation;
- (e) render fiscal agent (representative) services, manage investments of other persons, carry out confidential (fiduciary) management;
- (f) purchase, sell and manage banking gold and bullion bars and coins;
- (g) buy and sell foreign currency, as well as conclude dram and foreign currency futures, options and exercise other similar transactions;
- (h) provide financial leasing;
- (i) accept in deposit precious metals, stones, jewellery, securities, documents and other valuables;
- (j) provide financial consultation;
- (k) establish and maintain customer creditworthiness database, carry out the activities of collection of debts;
- (l) carry out operations inherent to credit organisations and recognised in international practice upon the approval of the Central Bank.

2. A credit organisation may provide business and consumer credits and loans. Within the meaning of the legislation regulating the activities of credit organisations, the conclusion and exercise of a transaction whereunder a legal person or an individual entrepreneur acts as a debtor and intends to use the funds received through the given transaction solely for the entrepreneurial activities carried out or to be carried out thereby, shall be considered as provision of a business credit or loan.

The conclusion and exercise of a transaction whereunder the debtor intends to use the funds received through the given transaction solely for consumer purposes which are not related with the entrepreneurial activities thereof, shall be considered as provision of a consumer credit or loan.

3. Credit organisations shall be entitled to attract loans and (or) conclude similar transactions with legal persons, individual entrepreneurs, its participants, with the Republic of Armenia and communities, other States and international organisations. The Central Bank may define minimum requirements for the above mentioned organisations. A credit organisation may attract loans from natural persons through public offering of bonds in the cases and under the procedure provided for by law and legal acts of the Central Bank. The Central Bank may establish the procedure for the exercise of financial operations with the entities specified in this Article.

3.1. Credit organisations shall be prohibited from rendering investment services specified in Article 25 or non-principal services specified in point 1 of Article 26 of the Law of the Republic of Armenia “On securities market”, except for the operations provided for in point (d) of part 1 of this Article. The Central Bank may define additional requirements for the securities transactions exercised by credit organisations.

4. Credit organisations (except for consumer credit companies) shall be prohibited from carrying out any production, trade activities or any other activities subject to licensing.

***(Article 8 amended, supplemented by HO-154-N of 24 November 2004, amended by HO-45-N of 25 December 2006, edited by HO-24-N of 8 April 2008, amended by HO-129-N of 17 June 2008, edited, amended, supplemented by HO-132-N of 14 April 2011)***

**Article 8.1. The Board of the Credit Organisation**

1. A credit organisation shall, regardless of the legal organisational form and other criteria, be obliged to possess a Board of Directors (Supervisory Board) (hereinafter referred to as “the Board”).
2. The Board of the credit organisation must be composed of at least 3 and maximum 15 members.

*(Article 8.1 supplemented by HO-289-N of 22 December 2010)*

**Article 9. The Executives of Credit Organisation, the Criteria On Professional Competence and the Procedure for Qualification thereof**

1. The executives of credit organisation shall be deemed to be the Chairperson, the Deputy Chairperson and the members of the Board of the credit organisation (the Board of Directors or the Supervisory Board), the Executive Director and the Deputy Executive Director thereof, the Chairperson of the Directorate, the Deputy Chairperson and the members of the Directorate, the Chief Accountant, the Deputy Chief Accountant, the Chairperson, the Deputy Chairperson and the members of the Control Committee.
2. The position of an executive of a credit organisation may not be held by:
  - (a) persons having a criminal conviction for an intentional crime;
  - (b) persons deprived by the court of the right to hold positions in financial, banking, tax, customs, commercial, economic and legal sectors;
  - (c) persons having been declared as bankrupt and having uncovered (unwaived) obligations;

(d) persons the qualification or professional skills whereof do not comply with the eligibility criteria on professional competence or qualification established by the Central Bank;

(e) persons involved in a criminal proceeding as a suspect, accused or an accused on trial;

(f) persons declared as having no active legal capacity or having limited active legal capacity as prescribed by the legislation of the Republic of Armenia.

3. The eligibility criteria on and procedure for qualification and professional competence of the executives of credit organisation (except for the heads of structural subdivisions) shall be established by the Central Bank.

4. In the cases provided for by the Central Bank, the executives of the credit organisation must possess a qualification certificate and that attesting professional competence, as well as must be registered in the Central Bank under the procedure established by the Central Bank. The registration prescribed by this Article shall be carried out within a period of 15 days upon having applied. For the purpose of clarifying facts significant for the registration of the executive of credit organisation the period of 15 days may be suspended but not more than once and for a period of maximum three months.

***(Article 9 edited by HO-24-N of 8 April 2008)***

#### **Article 9.1. Requirements to the Statutes of Credit Organisations**

The credit organisations shall be obliged to mandatorily include in their Statutes provisions on the separation of functions between the Board of Directors and the Control Group, on the mechanisms relating to the activities of the Directors, main executives, the Chief Accountant, the Board of Directors and the Control Group, as

well as provisions on the principles of accounting, submission of statements and conduct external audit.

***(Article 9.1 supplemented by HO-520-N of 31 March 2003, amended by HO-24-N of 8 April 2008)***

## **Article 9.2. Registration of Amendments**

1. Credit organisations operating in the Republic of Armenia shall be obliged to submit the following amendments for registration by the Central Bank:

- (a) amendments made to the Statute of a credit organisation;
- (b) changes made in the management personnel (except for the heads of structural subdivisions);
- (c) other amendments provided for by law or legal acts of the Central Bank.

2. The Central Bank shall register the amendments — subject to registration — submitted by the credit organisations, provided that they do not contradict the laws and other legal acts and have been submitted under the procedure and in the form established by the regulatory legal acts of the Central Bank. The Central Bank shall, within a period of one month, register the amendments — subject to registration — submitted by credit organisations, unless a shorter time period for registration is provided for by this Law or regulatory legal acts of the Central Bank. For the purpose of clarification of certain facts the time period prescribed by law or regulatory legal acts of the Central Bank may be suspended upon the decision of the Central Bank.

3. The Central Bank may repeal the legal acts of the Central Bank attesting the facts registered in the Central Bank where the credit organisation has submitted to the Central Bank false or inaccurate documents or information for the purpose of registration of the amendments prescribed by this Law or regulatory legal acts of the Central Bank.



4. The Central Bank shall cancel the registration of the head of credit organisation, if his or her qualification certificate has been withdrawn or the validity period thereof has expired, or if he or she may not hold the position of the head of credit organisation on the grounds provided for by Article 9 of this Law.

5. The amendments specified in this Article shall enter into force upon registration in the Central Bank.

6. The Central Bank shall, within five working days upon registration of the change in the trading name of the credit organisation, notify the state authorised body for registration of legal persons thereof aimed at making relevant entry on the change in the trading name of the credit organisation.

***(Article 9.2 supplemented by HO-24-N of 8 April 2008, HO-142-N of 8 June 2009)***

**Article 10.           Restrictions on the Acquisition of Substantial Shareholding in the Authorised Capital of Credit Organisations**

1. A person or his or her affiliated persons may acquire substantial shareholding in the authorised capital of the credit organisation as a result of one or several transactions only upon the prior consent of the Central Bank.

Within the meaning of this Law and regulatory legal acts of the Central Bank adopted on the basis of this Law, substantial shareholding shall be considered as shareholding whereby the equity participation of the given participant in the authorised capital of the credit organisation constitutes 10% or more.

The Central Bank shall establish the list and the form of documents and information to be submitted to the Central Bank by a person or affiliated persons upon the motion of the credit organisation for the purpose of obtaining the prior consent to acquire a substantial shareholding in the authorised capital of the credit organisation.

Central Bank shall, upon receipt of the documents and information required by this point and regulatory legal acts of the Central Bank, consider them within a period of one month. With a view of clarification of certain facts this period of one month may, upon the decision of the Board of the Central Bank, be suspended but not longer than for a period of three months. Where the application is not rejected by the Central Bank within a period of one month or where the person is not notified of the suspension of this time period, the approval shall be considered as delivered.

2. The Central Bank shall reject the application by notifying the applicant thereof within a period of ten days upon taking the decision on rejection, if:

- (a) the person has a criminal conviction for an intentional crime;
- (b) the person has been declared as having no active legal capacity or having limited active legal capacity as prescribed by legislation of the Republic of Armenia;
- (c) the person has been deprived, upon criminal judgment entered into legal force, of the right to hold positions in financial, banking, tax, customs, commercial, economic and legal sectors;
- (d) the person has been declared as bankrupt and has uncovered (unwaived) obligations;
- (e) the transaction concerned is aimed at, entails or may entail restriction on free economic competition;
- (f) the documents have been submitted in violation of the form and procedure established by the Central Bank, or the submitted documents or information contain false, inaccurate data;
- (g) the funds to be invested in the authorised capital of the credit organisation or provided against recall of equity participation constitute, according to the justified opinion of the Central Bank, proceeds of crime or funds having been obtained illegally.

A contract on acquisition of substantial shareholding in the authorised capital of the credit organisation without prior consent of the Central Bank shall be deemed as void.

***(Article 10 amended by HO-24-N of 8 April 2008)***

**Article 11. Affiliated Persons and Related Persons**

Within the meaning of this Law and regulatory legal acts of the Central Bank adopted on the basis of this Law, persons shall be deemed as affiliated persons or related persons, if the links and (or) relations between them comply with the provisions of Articles 8 and 39 of the Law of the Republic of Armenia “On banks and banking”.

**Article 12. Main Prudential Standards Established for Credit organisations**

1. The main prudential standards defined by the Law of the Republic of Armenia “On banks and banking” and regulatory legal acts of the Central Bank shall be established for credit organisations, except for those excluded by the Board of the Central Bank. The main prudential standards established for credit organisations must provide for more mitigant regulatory regime for credit organisations than that prescribed for banks.
2. The main prudential standards shall be mandatory and must be the same for the same type (group) of credit organisations, except for the organisations operating within the framework of restrictions prescribed by this Law.
3. The concepts of main prudential standards shall be defined by the Law of the Republic of Armenia “On banks and banking”.
4. The thresholds, the procedure for calculation and the composition of elements involved in calculation shall be established by the Central Bank.
5. Where the Central Bank provides for a stricter regime for the main prudential standards, these prudential standards shall enter into force within six months upon official publication prescribed by the Central Bank.
6. Where the Central Bank provides for more mitigant regime for the main prudential standards, these prudential standards shall enter into force upon official

publication by the Central Bank, unless a later time period is determined by the Central Bank.

### **Article 13. Supervision Over the Activities of Credit Organisations**

1. The exclusive right of exercising supervision over the activities of credit organisations shall be vested in the Central Bank. The Central Bank shall exercise this supervision as prescribed by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.

2. *(Point repealed by HO-24-N of 8 April 2008)*

3. The Central Bank shall, as prescribed by Chapter 51 of the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”, carry out inspections in respect of persons not deemed as banks, credit organisations or other entities licensed by the Central Bank, and the balance whereof is consolidated into the balance of credit organisations as prescribed by the Central Bank.

*(Article 13 supplemented by HO-47-N of 3 March 2004, amended by HO-24-N of 8 April 2008)*

### **Article 14. Preventing the Circulation of Proceeds of Crime**

*(Article 14 repealed by HO-24-N of 14 December 2004)*

#### **Article 14.1. Relations Between Credit organisations and Customers**

1. When concluding a credit or other transaction with the customer, the credit organisation shall be prohibited from forcing the customer to conclude, with the given credit organisation or the affiliated persons thereof, a transaction on the other services of the credit organisation.

2. In the event of violation of the provision prescribed by point 1 of this Article, as well as in the event of providing obviously false or misleading information, the credit organisation shall be subject to liability as prescribed by law.

3. Upon the request of any person, the credit organisation shall, within a period of five days, be obliged to grant him or her an opportunity to get familiarised with:

(a) the financial statements (at least that for the last year) of the credit organisation and the carbon copies of the external audit report rendered in respect of the statements;

(b) the carbon copies of the state registration certificate and the Statute of the credit organisation;

(c) in case of public subscription to stocks — the carbon copy of the prospectus of the stock issue of the credit organisation;

(d) in case of public offering of the bonds and other securities issued by the credit organisation — the information referred to in the Law of the Republic of Armenia “On securities market” and other regulatory legal acts, to the extent and under the procedure prescribed.

Credit organisations shall be obliged to publish updated information on the provision of credits and loans, on all other services rendered thereby and financial transactions exercised for the customers, including information on the interest rates, commissions, time to maturity and other essential conditions, in a separate booklet or in any other publicly accessible manner (in the headquarters, branches and representative offices of the credit organisation). Moreover, in the event of any changes, this information must be immediately updated and published as prescribed by this point.

4. The fee charged for the provision of carbon copies of the information and documents specified in point 3 of this Article, may not exceed the costs necessary for drawing up these carbon copies.

***(Article 14.1 supplemented by HO-24-N of 8 April 2008)***

## CHAPTER 4

### ***SUBMISSION AND PUBLICATION OF FINANCIAL STATEMENTS, AUDIT REPORTS, INFORMATION, CONDUCT OF AUDIT***

#### **Article 15. Financial and Other Statements**

***(title edited by HO-229-N of 26 December 2008)***

1. ***(Part repealed by HO-229-N of 26 December 2008)***

2. The credit organisations shall, under the procedure and within time limits provided for by the Central Bank, prepare, publish and submit to the Central Bank the financial statements prescribed by laws and other legal acts of the Republic of Armenia, as well as other statements and information prescribed by the Central Bank.

2.1. The credit organisations shall prepare and submit the financial statements to be published, in accordance with the Law of the Republic of Armenia “On accounting”.

3. For the purpose of calculation of profit tax and prudential standards, the formation and the use of possible investments loss reserve in investment securities of the credit organisations, the classification of debts and debtor’s loans and the formation of possible investments loss reserve shall be carried out as prescribed by the Law of the Republic of Armenia “On banks and banking” and the Law of the Republic of Armenia “On profit tax”.

***(Article 15 edited, amended, supplemented by HO-229-N of 26 December 2008,  
supplemented by HO-135-N of 12 November 2015)***

#### **Article 16. The Audit of Credit Organisations**

1. Each year, the activities of the credit organisation shall be audited by an independent auditing organisation authorised to carry out auditing, which shall be appointed by the credit organisation.

2. The credit organisation shall submit the audit report of the independent auditing organisation to the Central Bank within a period of six months following the completion of the financial year.

**Article 17. Publication of Financial Statements and Audit Reports**

1. Credit organisations shall be obliged to publish their annual financial statements and audit reports in the press within a period of six months following the completion of the financial year.

2. Credit organisations shall be obliged to publish their quarterly financial statements by the 15<sup>th</sup> day of the month following each quarter.

3. Credit organisations shall be obliged to publish on regular basis information on their activities under the procedure and with the frequency prescribed by the Central Bank.

**CHAPTER 5**

***VIOLATIONS OF LEGISLATION AND THE SANCTIONS IMPOSED THEREFOR***

**Article 18. Violations of Legislation**

The Central Bank may impose sanctions on credit organisations where:

(a) the credit organisation has carried out the financial operations in violation of laws and other legal acts;

(b) the main prudential standards prescribed for credit organisations have been violated;

(c) the procedure and conditions for the submission and publication of balance, financial statements and other statements have been violated and (or) false information has been indicated in the documents;

(d) the credit organisation has failed to fulfil the assignment of the Central Bank prescribed by subpoint (a) of point 1 of Article 19 of this Law;

(e) the requirements of this Law, other legal acts regulating the activities of the credit organisation, as well as those of internal legal acts of the credit organisation have been violated;

(f) the requirements of the laws regulating the activities of the financial group featuring the credit organisation and (or) those of legal acts adopted thereon, have been violated.

***(Article 18 supplemented by HO-24-N of 8 April 2008, HO-135-N of 12 November 2015)***

#### **Article 19. Sanctions Imposed for Violations of Legislation**

1. In the cases provided for by Article 18 of this Law, the Central Bank may impose on the credit organisation one of the following sanctions:

(a) warning and assignment on eliminating the violations;

(b) fine;

(c) withdrawal of the qualification certificate of the head of credit organisation;

(d) declaring the licence as invalid.

2. A sanction in the form of a fine may be imposed on the head of the executive body or on Chief Accountant of the credit organisation upon the decision of the Central Bank, the amount whereof may not exceed one thousand fold of the minimum salary defined.

3. The imposition of sanctions provided for by this Article shall not exempt the credit organisation from the liability provided for by laws, other legal acts or contracts.

4. Sanctions specified by this Article shall be imposed on credit organisations and the managers thereof in the cases, on the grounds, to the extent and under the procedure



provided for by the Law of the Republic of Armenia “On banks and banking”. In addition to these grounds, the licence of the credit organisation may be declared as invalid if false information has been submitted during the registration and licensing thereof.

5. The licence of the credit organisation shall be declared as invalid upon the decision of the Board of the Central Bank. This decision shall enter into force upon its publication in mass media.

***(Article 19 amended, supplemented by HO-24-N of 8 April 2008)***

## **CHAPTER 6**

### ***TRANSITIONAL PROVISIONS, CHANGING THE TYPE OF ACTIVITIES OF THE BANK***

#### **Article 20. Possibility of Changing the Type of Activities of the Bank**

A bank may change the type of its activities as prescribed by this Law and legislation of the Republic of Armenia, by undergoing re-registration as a credit organisation.

#### **Article 21. Procedure for Changing the Type of Activities of the Bank**

1. The supreme corporate body of the bank shall take a decision on changing the type of activities of the bank, approving thereby the programme for changing the type of activities of the bank. The decision and the programme attached to the written motion on changing the type of activities shall, within a period of one week following the adoption of the decision, be submitted for approval by the Board of the Central Bank.

2. The Board of the Central Bank shall, within a period of one month, consider the submitted documents and take a decision on approval or rejecting the approval of the

submitted written motion. In case of failure to adopt a decision within the time limit prescribed, the decision on approval by the Board of the Central Bank shall be deemed as adopted.

3. The Board of the Central Bank may reject the approval of the written motion where:

(a) the submitted documents contradict the legislation of the Republic of Armenia, or have not been submitted in due manner or have been submitted inappropriately;

(b) the given change of activities may endanger the interests of the bank depositors.

4. The procedure and the form of submitting, to the Board of the Central Bank for approval, the written motion on changing the type of activities of the bank and other documents attached thereto, as well as the list of other documents justifying and revealing the procedure for changing the type of activities shall be approved by the Central Bank.

## **Article 22. Legal Consequences of Changing the Type of Activities of the Bank**

1. The bank shall, within time periods prescribed by the programme for changing the type of activities of the bank, implement the measures prescribed by the programme, approve the Statute of the legal person undergoing re-registration and submit it for re-registration. The Central Bank may, during the change of the type of activities of the bank, define for the bank changing the type of its activities a regime of prudential standards other than that prescribed for banks.

2. The Bank shall, within time periods prescribed by the programme for changing the type of activities of the bank, be obliged to fulfil its all obligations assumed under bank deposit and bank account contracts or transfer them to another bank in accordance with the Civil Code of the Republic of Armenia.

3. In case of transferring to another bank its obligations assumed under the bank deposit and bank account contracts, the bank shall, prior to conclusion of the relevant transaction, notify the Central Bank of the name of the bank assuming obligations by submitting all the documents relating to the transaction on transfer of debt. Given the financial condition of the bank assuming the obligations, the Central Bank shall be entitled not to permit the bank to conclude the transaction on the transfer of debt.
4. Upon re-registration of the bank changing the type of activities, the activities thereof shall be considered as terminated, its rights and obligations (except for the obligations assumed under bank deposit and bank account contracts) shall be transferred to the re-registered person by way of succession, and a respective entry on termination of the activities of the bank shall be made in the registry of the banks, by notifying the body for state registration of legal persons thereof. The Board of the Central Bank shall declare the banking licence as invalid upon the decision on re-registration of the bank.
5. The established credit organisation shall, upon undergoing re-registration, be deemed as licensed for the relevant activities. Moreover, no fees or duties shall be charged for re-registration and licensing.

## **CHAPTER 6.1**

***(Chapter 6.1 supplemented by HO-24-N of 8 April 2008)***

### ***CHANGING THE TYPE OF CREDIT ORGANISATION AND TYPE OF THE ACTIVITIES THEREOF***

#### **Article 22.1. Changing the Type (Group) of the Credit organisation**

1. A credit organisation may change the type (group) of credit organisation as prescribed by this Law, other laws and legal acts.

2. The supreme corporate body of the credit organisation shall take a decision on changing the type (group) of credit organisation, whereby the programme for changing the type (group) of credit organisation shall be approved. The decision on, the programme for changing the type (group) of credit organisation and other documents required by the Central Bank for changing the type (group) of credit organisation shall, within a period of one week following the adoption of the relevant decision, be submitted for the approval of the Central Bank.

3. The Central Bank shall, within a period of one month, consider the submitted documents and take a decision on approval or rejecting the approval of the submitted written motion. In case of failure to take a decision within this time period, the decision of the Central Bank on approval shall be deemed as adopted. For the purpose of clarifying the facts significant for changing the type (group) of credit organisation the period of one month may, upon the decision of the Central Bank, be suspended but not more than once and for a period of maximum three months.

4. The Central Bank may reject the approval of the submitted written motion, where:

- (a) the submitted documents contradict the legislation of the Republic of Armenia, or have not been submitted in due manner and form or contain false or inaccurate information or have been submitted inappropriately;
- (b) the registration of changes will endanger the interests of the bank depositors or other customers.

5. The procedure for and the form of submitting the written motion and other documents attached thereto for the approval of the Central Bank, as well as the list of other documents justifying and revealing the procedure for changing the type (group) of credit organisation shall be established by the regulatory legal acts of the Central Bank.

6. The credit organisation shall, within time period defined in the programme for changing the type (group) of the credit organisation, implement the measures

prescribed by the programme, approve the amendments to the Statute and submit them for registration. The credit organisation shall be deemed as having changed its type (group) upon registration of the amendments to the Statute, provided that the state duty prescribed by law for reformulation of the licence has been paid.

7. Upon changing the type (group) of credit organisation, the rights and obligations thereof shall be transferred to the credit organisation having changed its type (group) and relevant entry shall be made in the registry of credit organisations in respect of state registration of changes of the latter by notifying the body for state registration of legal persons thereof.

8. The credit organisation may hold a licence for only one type (group) of credit organisation.

9. In the event of changing the type (group) of credit organisation, the authorised capital of the credit organisation shall be replenished as prescribed by the regulatory legal acts of the Central Bank.

***(Article 22.1 supplemented by HO-24-N of 8 April 2008)***

## **Article 22.2. Procedure for Changing the Type of Activities of the Credit Organisation**

1. A credit organisation may change the type of its activities through being registered as a bank as prescribed by this Law and obtaining a banking licence from the Central Bank.

2. The supreme corporate body of the credit organisation shall adopt a decision on changing the type of activities of the credit organisation whereby it shall approve the programme for changing the type of activities of the credit organisation.

The programme prescribed by this Article must at least include:

- (a) the time period for being registered and licensed as a bank, which may not exceed one year;
- (b) the necessary measures taken for being registered and licensed as a bank;
- (c) the description of the process aimed at ensuring the necessary conditions for banking;
- (d) other information and conditions prescribed by the regulatory legal acts of the Central Bank.

3. The decision and the programme attached to the written motion on changing the type of activities of the credit organisation shall, within a period of one week upon adoption of the decision, be submitted for the approval of the Central Bank.

4. The Central Bank shall, within a period of one month, consider the submitted documents and adopt a decision on approving or rejecting the written motion on changing the type of activities of the credit organisation.

The Central Bank may, for the purpose of clarifying the facts significant for obtaining by the credit organisation a banking licence, suspend the period of one month but not more than once and for a period of maximum three months. In case of failure to adopt, within a period of one month, by the Central Bank a decision on approval or rejecting the approval of the change made to the type of activities of the credit organisation, as well as on suspending the one month period, the approval of the Central Bank shall be deemed as delivered

5. The Central Bank may reject the approval of the submitted written motion, where:
- (a) the submitted documents contradict the legislation of the Republic of Armenia, or have not been submitted in due manner and form or contain false or inaccurate information or have been submitted inappropriately;
  - (b) in case of changing the type of activities of the bank, the activities thereof will contradict the laws or other legal acts or, according to the justified opinion of the

Central Bank, the bank, by implementing the programme for changing the type of activities thereof and after having changed the type of its activities, will not be able to carry out its banking activities properly, or the programme is unrealistic;

(c) the change of the type of activities may endanger the interests of the existing depositors or other customers of the credit organisation or those of future depositors or other customers of the bank;

(d) the given transaction is aimed at or entails or may entail restriction of free economic competition.

6. The credit organisation shall, upon receiving the approval of the Central Bank, implement the measures prescribed by the programme and apply to the Central Bank within the time period prescribed by the programme for being registered as a bank and for obtaining a banking licence, provided that at the time of submitting the application, all the requirements and conditions defined for the banks under the Law of the Republic of Armenia “On banks and banking” and under legal acts of the Central Bank have been fulfilled. In case of failure to submit an application on registration and licensing within a period of one year upon receipt of the approval of the Central Bank, the decision of the Central Bank on approval of the written motion on changing the type of the activities of the credit organisation shall be deemed as repealed.

7. In case of failure to fulfil the requirements and conditions prescribed for banks by the Law of the Republic of Armenia “On banks and banking” and the legal acts of the Central Bank, including failure to submit the necessary documents under the procedure, in the form and within time limits prescribed, the Central Bank may reject the application of the credit organisation for being registered as a bank and for obtaining a banking licence. In case of absence of the grounds for rejection, the Central Bank shall issue a registration certificate of a bank and a banking licence to the credit organisation, provided that the state duty defined for banking activities has been paid.

8. Upon changing the type of activities of the credit organisation the Central Bank shall declare as invalid the licences for the operation as a credit organisation on the part of the headquarters and branches of the credit organisation and shall make changes in the registry of banks and credit organisations. The Central Bank shall, within a period of five days upon registration of the credit organisation as a bank and licensing thereof, notify the body for state registration of legal persons thereof aimed at making thereby the respective entry on registration of the credit organisation as a bank.

9. In the course of implementation of the programme for changing the type of activities of the credit organisation, the Central Bank may define for the credit organisation changing its type of activities a regime of the main prudential standards other than that prescribed for credit organisations.

In case of changing the type of activities of the credit organisation, the authorised capital of the bank shall be replenished as prescribed by the regulatory legal acts of the Central Bank.

10. All the rights and obligations of the credit organisation shall be transferred to the licensed bank as prescribed by this Article.

11. The registered branches of the credit organisation changing the type of its activities shall be deemed as registered as branches of a bank.

12. The credit organisation changing the type of its activities shall be obliged to notify its customers of the changes made to the type of its activities in relation with being registered and licensed as a bank. The form, procedure and time limits for notifying the customers of the changes specified in this point shall be established by the regulatory legal acts of the Central Bank.

13. After having been registered and licensed as a bank, the information on the customers of the credit organisation having changed the type of its activities shall be



classified as bank secret within the meaning of the Law of the Republic of Armenia  
“On bank secrecy”.

***(Article 22.2 supplemented by HO-24-N of 8 April 2008)***

## **CHAPTER 7**

### ***FINAL PROVISIONS***

#### **Article 23. Final provisions**

1. The activities of a credit organisation specified in this Law shall be subject to licensing after six months following the promulgation of this Law.
2. This Law shall enter into force on the day following its promulgation.

**President  
of the Republic of Armenia**

**R. Kocharyan**

22 June 2002

Yerevan

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