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"TRANSLATION CENTRE OF THE MINISTRY OF JUSTICE
OF THE REPUBLIC OF ARMENIA"
STATE NON-COMMERCIAL ORGANISATION

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LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 22 December 2010

ON INVESTMENT FUNDS

The purpose of this Law is the protection of the rights of investors, the development of the collective investment scheme and the prescription of unified rules for the establishment and activity of investment funds and investment fund managers, the increase in financial intermediation and the inclusion of public at large in securities market in the Republic of Armenia. zip files

SECTION 1

GENERAL PROVISIONS

CHAPTER 1

GENERAL PROVISIONS

Article 1. Subject matter of the Law

1. This Law shall regulate the relations pertaining to collective investments and shall prescribe (regulate) as follows:

   (1) types of investment funds operating within the territory of the Republic of Armenia, their legal status, as well as the legal status of investment fund managers operating within the territory of the Republic of Armenia, the branches established within the territory of the Republic of Armenia by foreign investment fund managers, and of the custodians of investment funds;

   (2) relations pertaining to the establishment, activity, management and termination of investment funds and investment fund managers operating within the territory of the Republic of Armenia, branches of foreign investment fund managers established within the territory of the Republic of Armenia;

   (3) requirements for investment policy of investment funds operating within the territory of the Republic of Armenia;

   (4) sale of securities issued by a foreign investment fund within the territory of the Republic of Armenia;

(5) relations emerging in respect of carrying out control by the Central Bank of the Republic of Armenia (hereinafter referred to as the Central Bank) over fulfilment of and compliance with the requirements of this Law and normative legal acts adopted on the basis thereof and in respect of imposition of liability for violation of those requirements.

2. The provisions prescribed for investment funds by this Law shall apply to public investment funds, all types of securitisation fund, unless the content of a certain legal norm directly mentions that it shall apply to private investment funds.

3. The peculiarities of securitisation and pension funds shall be prescribed by relevant laws.

4. The additional requirements for the activity of an investment fund manager as a member of a financial group shall be prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

(Article 1 supplemented by HO-138-N of 12 November 2015, HO-322-N of 4 May 2018)

Article 2. Legal regulation of investment funds

1. The relations pertaining to the establishment and activity of investment funds (including private investment funds) and investment fund managers shall be regulated by this Law (taking into account the provisions of part 2 of Article 1 of this Law), the Civil Code of the Republic of Armenia, as well as the Laws of the Republic of Armenia "On securities market", "On joint stock companies", "On limited liability companies" and other laws and normative legal acts, unless otherwise regulated by this Law.

Article 3. Main concepts used in the Law

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

(1) "investment fund" is a legal person or group of assets generated based on fund management agreements provided for by the Civil Code of the Republic of Armenia or other similar agreements, which is founded and (or) operates (is used) having as its purpose or one of its main purposes the ensuring of return — through collective investments in securities and (or) other assets under a unified investment policy — of funds, raised from investors, in the form of increase in capital, dividends and (or) other financial income in line with the investments made by the latter in the capital (group of assets) of the legal person and dependent on the results of management of those investments, irrespective of the fact whether or not that particular legal person (group of assets) has been characterised as an "investment fund" in the founding or offering documents thereof, as well as irrespective of the fact whether or not the defined purpose has been achieved and (or) the defined activity in fact has been carried out by the legal person concerned (person managing the group of assets) (hereinafter referred to as the fund). Criteria for assessing the activity provided for by this point as the purpose or one of the main purposes of establishment or activity of a person (group of assets) may be prescribed by normative legal acts of the Central Bank. Moreover, the concept of "fund" does not include the following:

a. bank, insurance company, investment company, investment fund manager, credit organisation;

b. the Deposit Guarantee Fund established as prescribed by the Law of the Republic of Armenia "On guaranteeing compensation of bank deposits of natural persons", the Guarantee Fund established based on the Law of the Republic of Armenia "On mandatory liability

insurance for use of motor vehicles", as well as the Guarantee Fund provided for by the Law of the Republic of Armenia "On funded pension";

c. organisations making investments within the framework of programmes implemented by the state or on the basis of international treaties;

d. a group, a holding or a similar person, the main activity whereof is the production of goods or provision of services (but not investments in real estate) and the investments whereof in securities are primarily conditioned by the purpose of foreseeing or significantly affecting the decisions of governing bodies of the persons having issued them. Criteria detailing the provisions provided for by this subpoint may be prescribed by normative legal acts of the Central Bank;

(2) "public fund" is a fund not deemed a private fund;

(3) "private fund" is a fund, the charter (rules) whereof provides that the securities issued thereby may not be allocated through a public offering, including through an offering exclusively to an uncertain number of qualified investors;

(4) "type of fund" a certain type of fund provided for by this Law based on the investment policy or based on the mechanism of issuance and buyback of fund units (shares);

(5) "standard fund" a type of fund not deemed a specialised fund, the investment policy whereof (in case where it has sub-funds — that of all of the sub-funds thereof) complies with the requirements prescribed by chapter 6 of this Law, except for non-diversified standard funds;

(6) "specialised fund" is a real estate fund, hedge fund, securitisation fund, fund of funds, private equity fund, including venture fund, as well as another type of fund, the assets whereof are entirely or with certain minimum limits, but not less than by 30 per cent subject to be invested in a certain type of assets not referred to in points 1-9 of part 1 of Article 40 of this Law;

(7) "non-diversified fund" is a standard (specialised) fund, the investment policy whereof (in case where it has sub-funds — that of all of the sub-funds thereof) fails to comply with the requirements prescribed by chapter 6 of this Law (requirements of diversification of asset investments prescribed by law or other normative legal acts of the Central Bank for the type of specialised fund concerned (except for funds of directly qualified investors);

(8) "contractual fund" is a group of assets generated based on management agreements of contractual investment funds provided for by the Civil Code of the Republic of Armenia;

(9) "corporate fund" is a fund having the status of a legal person, the assets whereof are raised only through allocation of shares or other equity securities (hereinafter referred to as the shares);

(10) "joint stock company with variable capital" is a joint stock company not having fixed assets and the capital whereof is at any point equal to the net asset value of the fund;

(11) "joint stock company with constant capital" is a joint stock company not deemed a joint stock company with variable capital;

(12) "open-end fund" is a type of fund which is obliged to buy back at the request of each unit holder on any working day as prescribed by this Law the securities issued by the fund and held by the unit holder concerned;

(13) "interval fund" is a type of fund not carrying out continuous buyback of the securities issued thereby, but obliged to buy back, as prescribed by this Law at the request of each unit holder within the intervals prescribed by the rules (charter) thereof, the securities issued by the fund and held by the unit holder concerned;

(14) "closed-end fund" is a type of fund not obliged to buy back at the request of the unit holder thereof the securities issued by the fund and held by the unit holder concerned, except for the cases provided for by this Law;

(15) "sub-fund" is a distinct group of assets within the same fund, which has unified rules of activity and is different from other groups of fund assets in its investment policy, profit distribution policy, allocation fees and (or) buyback of fund units, currency of the assets thereof, bonuses of the manager, or the combination thereof;

(16) "fund unit" is a registered investment security certifying the right of holding of the holder thereof in the assets of the fund concerned (hereinafter referred to as the unit);

(17) "fund asset" is proceeds of the fund received through allocation of units (shares), the fund assets allowed by this Law, in which the proceeds received and the profits generated through management are invested, as well as other means provided for by this Law;

(18) "liquid asset" is proceeds or other asset that can be converted into cash within a short period without significant losses for the owner thereof;

(19) "fund net asset value" is the difference between the total market values of fund assets and the value of liabilities assumed by the fund (by the manager, at the expense of assets of the contractual fund) in the cases and in the manner prescribed by this Law and rules (charter) of the fund);

(20) "net asset value per unit (share)" is a value equal to the ratio of net asset value of the fund (sub-fund) and the total number of units (shares) of the fund concerned (sub-fund) that are allocated and not bought back;

(21) "fund unit holder" is, in accordance with this Law, a holder of securities issued by the fund;

(22) "fund manager" is a person, having received fund management licence as prescribed by this Law, who shall ensure the management of a fund established in accordance with this Law (hereinafter referred to as the manager);

(23) "fund custodian" is a person providing service of custody of fund assets, which shall accept for custody, as prescribed by this Law and other laws and based on the agreement concluded with the fund (the manager thereof), the fund assets, shall keep them and maintains their records, shall service the transactions related to management fund assets and transfer assets on the basis thereof, as well as shall control, within the framework of the authority thereof, the activity of the fund manager concerned in favour of the fund unit holders (hereinafter referred to as the custodian);

(24) "fund agent" is a person ensuring the sale and (or) buyback (repayment) of units or shares on the basis of the agreement concluded with the manager (hereinafter referred to as the agent);

(25) "qualified investment fund" is a standard or specialised fund, the issued units (shares) whereof may, in accordance with law or the rules (charter) thereof, be offered only to:

a. qualified investors; and (or)

b. the investors, the purchase price of the unit (share) acquired whereby (the total value of the acquired units (shares) for each individual offer) exceeds the amount prescribed by normative legal acts of the Central Bank;

(26) "index fund" is a type of standard fund, the investment policy whereof shall be aimed at duplicating the index structure of certain shares or bonds;

(27) "pensions fund" is a fund, the assets whereof are generated from mandatory funded allocations (mandatory pension fund) or voluntary pension contributions (voluntary pension fund) made from the state budget of the Republic of Armenia in accordance with the Law of the Republic of Armenia "On funded pension" and from the investment thereof, and the unit holders whereof are paid from fund assets (proceeds corresponding to the unit of the unit holder in the fund assets are returned) in the form of pension after the unit holder has reached the pension age, as well as in other cases prescribed by the Law of the Republic of Armenia "On funded pension".

Other concepts used in this Law shall be applied within the meaning prescribed by the Civil Code of the Republic of Armenia and the Law of the Republic of Armenia "On securities market", unless other meaning of their usage follows from the provisions of this Law.

(Article 3 supplemented by HO-231-N of 12 November 2012, edited by HO-68-N of 21 June 2014, supplemented by HO-72-N of 1 March 2017, amended by HO-322-N of 4 May 2018)

SECTION 2

FUNDS AND UNITS (SHARES) ISSUED THEREBY

CHAPTER 2

GENERAL PROVISIONS ON FUNDS

Article 4. Status of funds and the types thereof

1. A fund (including private fund) may be established and carry out the activity provided for by this Law only from the date of registration of the fund (the rules thereof) by the Central Bank as prescribed by this Law.

2. A fund (including private fund) may be established with the status of a contractual or a corporate fund.

3. Based on the investment policy, a fund may be standard or specialised.

4. Based on the mechanism of issuance and buyback of fund units (shares), a fund may be open-end, closed-end or interval.

5. A pension fund may not be a closed-end or an interval fund. A mandatory pension fund may function solely as an open-end contractual fund.

6. A fund may not carry out activity for a fund not provided for by this Law.

(Article 4 supplemented by HO-213-N of 12 November 2012)

Article 5. Name of a fund and restrictions on usage of the phrases "investment fund", "pension fund", "securitisation fund" and the derivatives thereof

(title supplemented by HO-322-N of 4 May 2018)

1. Funds established as prescribed by this Law shall not be entitled to use such misleading words in their names which may cause misunderstanding on the financial position or legal status of or the activity carried out by the fund concerned.

2. The name of a contractual fund must include the name of the manager thereof. Funds managed by the same person may not have the same or confusingly similar names.

3. Entities without proper registration with the Central Bank shall be prohibited to use the phrases "investment fund", "pension fund" or "securitisation fund", the inflected forms thereof, the transliterations of these words in a foreign language, translations thereof into Armenian or combinations thereof, as well as names describing directly or indirectly the activity of funds within the framework of business tradition in the names thereof, advertisements, public offering or to otherwise support in advertising, unless the meaning of usage of the phrases "investment fund", "pension fund" or "securitisation fund", the derivatives thereof or the mentioned names implies that it does not refer to the activity of an investment fund and pension fund prescribed by this Law and (or) the Laws of the Republic of Armenia "On funded pension", "On asset securitisation and asset-backed securities" and unless the right to such usage is reserved by law or international treaties.

(Article 5 supplemented, edited by HO-322-N of 4 May 2018)

Article 6. Registered office of a fund

1. The registered office of a fund shall be the registered office of the manager thereof.

Article 7. Agent

1. A fund may have an agent (agents).
2. The person, providing investment services in accordance with the Law of the Republic of Armenia "On securities market", with whom the manager has concluded a contract on provision of services provided for by part 3 of this Law, may act as an agent.
3. An agent shall sell and (or) buy back (repay) the units or shares on behalf of the fund (in case of a contractual fund — on behalf of the manager) and at the expense of the fund upon receiving respective applications and passing them to the manager and (or) receiving, transferring money and making payments, by indicating, in the case of a contractual fund, that they act as an agent of the fund concerned.

Article 8. Private fund

1. A private corporate fund may not have the legal and organisational form of an open joint-stock company.
2. Public offering of units (shares) of a private fund may not be made.
3. A private fund may have no more than 49 unit holders. In case where the number of the unit holders exceeds 49, a private fund shall be obliged to re-register — within 90 calendar days, in accordance with the general procedure prescribed by this Law — as a public fund or accordingly reduce the number of

the unit holders thereof. Otherwise, it shall be subject to liquidation through judicial procedure.

4. A private fund shall, at the request of the Central Bank, be obliged to submit to the Central Bank the reports provided for by Article 92 of this Law.

5. The procedure for and conditions of the registration of a private fund (rules of a contractual fund), amendments and (or) supplements to the charter (rules) thereof and the reorganisation, change in the type and liquidation (termination) of a private fund shall be covered by the relevant provisions provided for by Articles 21 and 22, parts 3, 4 and 5 of Article 23, parts 4, 5 and 6 of Article 24, as well as by section 8 of this Law for qualified investment funds, except for the restrictions on reorganisation and change in the type, as well as norms related to grounds for liquidation (termination). Moreover, the provisions subject to implementation in accordance with this part shall, in respect of the custodian, cover private funds only in case of availability of a relevant distinct custodian, and in respect of the manager, shall cover the person having the right to carry out the executive management of a private fund (irrespective of the fact of being recognised as a manager within the meaning of this Law), only in case of applicability. Besides, at the time of registration of a private fund, the information, prescribed by a normative legal act of the Central Bank with regard to the person carrying out the executive management thereof, shall be submitted to the Central Bank. The information concerned must be submitted to the Central Bank also for each amendment made thereto, within ten calendar days following the amendment.

Article 9. Non-diversified fund

1. The rules (charter) of a non-diversified fund shall indicate that it is a non-diversified fund.

2. A non-diversified fund shall be deemed a qualified investment fund.

Article 10. Contractual and corporate funds

1. A contractual fund shall be managed by the manager based on the fund rules (fund management agreements).

2. The right of ownership of a contractual fund unit holder over the assets of the fund shall, in accordance with the procedure and conditions prescribed by this Law, be limited to the rights to transfer, through the procedure for alienation and legal succession, the unit, held thereby and certifying the mentioned right, to receive dividends from profits generated through management of fund assets, as well as to receive their stake in the assets of the fund in case of termination of the fund. The right of a unit holder of a closed-end contractual fund over the assets of the fund shall also be manifested in the right to submit proposals, within the authority reserved to the general meeting of fund unit holders (hereinafter referred to as the fund meeting) under this Law and (or) the fund rules, with regard to management of fund assets and to participate in decision-making of the fund meeting with a voting power equal to the number of units held thereby and the net asset value per unit, except for the cases provided for by part 6 of Article 50 of this Law.

3. Contractual fund assets, securities acquired against such assets and other property and the rights therefor shall be subject to separate record-keeping and registration in the name of that fund manager without acquiring the right of ownership of the manager therefor.

4. The manager of a contractual fund shall conclude transactions related to the fund management in its own name indicating that it acts as the manager of the fund concerned and that the liabilities assumed under the transactions concerned are fulfilled exclusively at the expense of the fund concerned.

5. The procedure for and conditions of fulfilment of liabilities assumed by the manager under transactions related to management of the contractual fund (including the scope of their responsibility therefor) shall be covered by the relevant provisions of the Civil Code of the Republic of Armenia prescribed for the manager of a contractual fund deemed as a party to a contractual fund management agreement.

6. A corporate fund may function only in the legal and organisational form of a joint-stock company with constant or variable capital, whereas hedge funds and private equity funds, including venture funds — in the legal and organisational form of a limited partnership.

7. A corporate fund manager shall conclude transactions related to fund management on behalf of and at the expense of the fund concerned. The manager of fund established in the legal and organisational form of a limited partnership shall bear, with the property thereof, joint and several subsidiary liability for the obligations of the fund concerned.

Article 11. Open-end, closed-end and interval funds

1. An open-end fund may function only as a contractual fund or a joint-stock company with variable capital.

2. Closed-end and interval funds may function only as a contractual fund or a joint-stock company with constant or variable capital, whereas securitisation fund, hedge funds and private equity funds, including venture funds — also as a limited partnership. The interval corporate fund, the charter whereof provides for the interval for buying back the shares thereof with a frequency of no more than once a year, may not have the legal and organisational form of a joint-stock company with variable capital.

(Article 11 supplemented by HO-322-N of 4 May 2018)

Article 12. Sub-funds

1. A contractual fund may be divided into sub-funds.

2. The fund rules must indicate the peculiarities of the existing sub-funds and the investment policy of each of them, the profit distribution policy, the allocation and (or) the buyback fees of fund units, the currency of assets of the sub-funds and the bonuses of the manager (where available) thereof.

3. A holder of each sub-fund may make a claim against the assets of their sub-fund only. Each sub-fund shall be deemed as an individual contractual fund in the relations regulated by parts 4 and 5 of Article 10 of this Law.

4. The manager may change the investment policy of the sub-fund or incorporate one sub-fund into another sub-fund of the same fund in accordance with the rules prescribed by this Law for change in type and acquisition of contractual funds, through making relevant amendments to the fund rules.

5. Where, within 6 months following the registration of fund rules (upon entry into force of the relevant amendments made to the fund rules conditioned by establishment of a sub-fund), the net asset value of the sub-fund does not reach the minimum value provided for by this Law, the net asset value of the sub-fund decreases as against the minimum value provided for by this Law for a period of more than 60 calendar days or the net asset value of the sub-fund decreases by 1/2 of the minimum value provided for by this Law, the sub-fund shall be subject to termination, and the assets thereof must be returned to the unit holders of the sub-fund in accordance with the procedure prescribed by this Law for termination of a contractual fund.

6. The provisions of this Law pertaining to the calculation and publication of the fund net asset value and the net asset value of units, as well as to the allocation and buyback (repayment) fees shall also apply to the calculation and publication of the net asset value and the net asset value of units, as well as to the allocation and buyback (repayment) fees of sub-funds.

Article 13. Fund unit holding

1. The unit holding in a fund shall be certified with a fund unit or fund share.

2. The stake of a contractual fund unit holder shall be determined by the ratio of the number of units held thereby and the total number of all the outstanding units of the fund concerned.

3. Where a contractual fund has shares of different classes, the stake of the fund unit holder shall be determined by the ratio of the number of units held thereby and the number of all the outstanding units of that class multiplying by the ratio of the net asset value of all the units of that class and the fund net asset value.

4. The custodian of the fund, the registrar of the fund concerned (where that function is performed by a person other than the manager), the person carrying out the independent audit of the fund concerned and the persons affiliated thereto shall not be fund unit holders.

5. The units (shares) issued by a non-diversified fund, as well as a specialised fund, except for a real estate fund, a securitisation fund and a fund of funds, unless otherwise provided for by law regulating the activity of the respective type of fund, may be offered only to:

   (1) qualified investors;

   (2) the investors the purchase price of the unit (share) acquired whereby (the total value of the acquired units (shares) for each individual offer) exceeds the amount prescribed by normative legal acts of the Central Bank.

Article 14. Pre-emptive right

1. The unit holders of a fund (except for a fund having the legal and organisational form of a limited partnership) shall not have a pre-emptive right to acquire the newly issued units (shares).

Article 15. Transferability of units (shares)

1. The right of fund unit holders to resell in a regulated market the units (shares) held by them may not be limited by the rules (charter) of a closed-end fund.

2. The units (shares) of a closed-end fund shall be subject to mandatory authorisation for being traded in a regulated market.

3. The units (shares) of a pension fund may be transferred to another person exclusively in accordance with the succession procedure prescribed by the Law of the Republic of Armenia "On funded pension".

4. Parts 1 and 2 of this Article shall not apply to the units (shares) of a securitisation fund, where it is envisaged by the securitisation fund rules (charter) that the units (shares) of the fund shall be subject to allocation between the initiators, manager or other predetermined persons.

(Article 15 supplemented by HO-213-N of 12 November 2012, HO-322-N of 4 May 2018)

Article 16. Fund net assets

1. The minimum value of net assets of a fund, as well as of each sub-fund shall be prescribed by a normative legal act of the Central Bank. This requirement shall be applied after 6 months following the registration of the fund (fund rules) (the entry into force of respective amendments made to the fund rules, conditioned by the establishment of a sub-fund).

2. The procedure for calculating the fund net asset value, the materiality guideline of mistakes in the calculation of net asset value and the procedure for correcting mistakes deemed to be essential (including compensation paid to fund unit holders) shall be prescribed by a normative legal act of the Central Bank.

3. The total of net asset values of fund units (shares) that is allocated and not bought back shall always be equal to the fund net asset value.

4. In case where the fund (sub-fund) net asset value is lower than the minimum amount provided for by part 1 of this Article, the manager shall be obliged to inform thereof the Central Bank forthwith and undertake measures to remedy the violation within the shortest period possible.

(Article 16 edited by HO-72-N of 1 March 2017)

Article 17. Fees charged and expenses made from fund assets

1. Only the fees (including bonuses of the manager and the custodian, fund taxes) prescribed by law may be charged from the fund assets.

2. Only the expenses directly related to the management and custody of the fund and prescribed by the fund rules (charter), as well as the expenses to be made, as directly provided for by this Law, at the expense of the fund assets may be made at the expense of the fund assets. At the expense of securitisation fund, the expenses may be covered related to the rating of the securities issued by the fund, obtaining a guarantee or suretyship for the fulfilment of securities-backed obligations or asset insurance, other types of credit enhancement, where they are provided for by the rules (charter) of the fund.

3. The fees and expenses provided for by parts 1 and 2 of this Article may not exceed the maximum thresholds prescribed by the fund rules (charter).

4. Normative legal acts of the Central Bank may prescribe the authorised directions and maximum thresholds of the fees and expenses provided for by parts 1 and 2 of this Article, as well as the procedure for calculating the bonuses of the manager and the custodian. These thresholds may be differentiated depending on the type of fund.

(Article 17 amended by HO-213-N of 12 November 2012, supplemented by HO-322-N of 4 May 2018)

Article 18. Fund dividends

1. A fund (except for pension funds) may distribute the net profits among its unit holders via dividends in the form of proceeds and (or) units (shares) issued by the fund where provided for by the fund rules (charter).

2. A corporate fund shall not set up reserve capital.

Article 19. Division of fund assets and separation of a stake therefrom

1. The division of assets of a contractual fund or the separation of the stake of any unit holder from such assets shall be prohibited except for the case of distribution, as prescribed by law, of fund assets among unit holders when the company is terminated.

2. In case where the property of a fund unit holder is insufficient, the unit (units) (except for units of a mandatory pension fund) may be forfeited against his/her liabilities conditional upon compensation of difference between the net asset value per unit and the liability of the fund unit holder minus the expenses related to sale of the unit, including submission for buyback.

Article 20. Reorganisation of a fund

1. A fund established under this Law may be reorganised only as another fund provided for by this Law. A public fund may not be reorganised as a private fund. A pension fund may not be reorganised as another investment fund not deemed to be a pension fund.

CHAPTER 3

ESTABLISHMENT OF A FUND AND LEGAL GROUNDS FOR ITS ACTIVITY

Article 21. Establishment of a fund

1. A fund shall be deemed established from the date of registration of the fund (in the case of a corporate fund) or its rules (in case of a contractual fund) by the Central Bank as prescribed by this Law.

2. For registering a fund (fund rules), the founder (founders) or the manager (the manager, in case of a contractual fund) shall submit, in accordance with the form and procedure prescribed by normative legal acts of the Central Bank, to the Central Bank as follows:

   (1) application for registration of the fund (fund rules);

   (2) decision of the founders (meeting of founders) to establish a fund (in the case of a corporate fund);

   (3) resolution of the board of directors of the manager to establish (except where the corporate fund is not established upon the initiative of the manager) and manage the fund concerned;

   (4) draft of the fund charter (rules);

   (4.1) an application for the registration of the trading name of the fund (in case of a corporate fund), the requirements therefor, the list of the documents submitted along with it, as well as the terms and conditions for examining the application and the trading name and the registration of the amendments thereto shall be regulated as jointly prescribed by the Central Bank and the competent authority of the Government of the Republic of Armenia;

(5) resolution of the board of directors of the manager to approve the fund rules (in the case of a contractual fund);

(6) draft of fund management agreement (in case of a corporate fund) submitted by the fund manager and approved at the meeting of founders (by the decision of the founder);

(7) draft of fund custody agreement concluded between the manager and the custodian (in case of a contractual fund) or submitted by the custodian and approved at the meeting of founders (by the decision of the founder) (in case of a corporate fund);

(8) decision of the founder (the meeting of founders) (in case of corporate fund) or the fund meeting (in case of a closed-end contractual fund, whose rules do not envisage that no fund meeting is convened in the fund concerned) on approving the fund charter (rules) and the drafts of fund custody agreements (approving the relevant resolution of the board of directors of the manager of a contractual fund);

(9) fund prospectus (except for qualified investment funds and open-end funds);

(10) receipt of the payment of the state duty;

(11) other documents prescribed by normative legal acts of the Central Bank.

3. The Central Bank may require additional information and documents necessary for assessing authenticity of the documents provided for by part 2 of this Article.

4. The Board of the Central Bank shall make a decision on registration of a fund (fund rules), where all the necessary documents and information provided for by parts 2 and 3 of this Article have been submitted and there are no grounds prescribed by this Law for rejecting the registration of fund rules.

5. The Board of the Central Bank shall make a decision on registering a fund (fund rules) or rejecting the registration within 30 (in case of qualified investment fund — 10) working days following the receipt of the application provided for by part 2 of this Article.

6. The Central Bank shall be obliged to provide — within five working days from making the decision on registering the corporate fund — the certificate of registration to the person having submitted the application. The form of the certificate of registration, provided for by this part, shall be prescribed by a normative legal act of the Central Bank.

7. The Central Bank shall, within five working days from making the decision on registering the fund (fund rules), notify about that the state authorised body registering legal persons so that the latter makes relevant record on registration of the fund (fund rules).

8. A corporate fund shall, from the date of being registered with the Central Bank, acquire the status of a legal person.

(Article 21 supplemented by HO-141-N of 19 March 2012, amended by HO-213-N of 12 November 2012)

Article 22. Grounds for rejecting the registration of a fund (fund rules)

1. The Board of the Central Bank shall reject the registration of a fund (fund rules), where:

   (1) the submitted documents fail to comply with this Law, normative legal acts adopted on the basis thereof, or false documents have been submitted, or the submitted documents disclose unreliable information, or the submitted documents contain errors and these errors have not been removed by the person having submitted the application within the time limit prescribed by part 1 of Article 111 of this Law;

(2) the management agreement fails to comply with the requirements prescribed by this Law and normative legal acts adopted on the basis thereof (in case of a corporate fund);

(3) the draft of custody agreement and (or) the prospectus fail to comply with the requirements prescribed by this Law and normative legal acts adopted on the basis thereof;

(4) the fund charter (rules) contradict the Law, normative legal acts adopted on the basis thereof and (or) do not stem from the interests of fund unit holders.

2. The content of the drafts of fund management agreement and fund custody agreement shall not be checked during the registration of a qualified investment fund (fund rules).

Article 23. Charter of a corporate fund

1. The corporate fund charter, in addition to the requirements for the charter of legal persons, having a particular legal and organisational form, contained in the Civil Code of the Republic of Armenia and the Law of the Republic of Armenia "On joint-stock companies", shall include the following:

(1) type (based on the investment policy and the mechanism of issuance and buyback of fund units (shares)) and status of the fund (corporate fund);

(2) investment policy of the fund, including directions, thresholds of investments and other specific (geographical, branch-specific, etc.) restrictions, brief description of risks related to investments;

(3) purposes of entering into transactions using derivatives, types, thresholds of permissible derivative financial instruments, the maximum limits of acceptable risks and the method of their calculation, where pursuant to the

fund charter the fund assets may be invested in derivative financial instruments;

(4) procedure for and conditions of issuance, allocation and buyback (repayment) of fund shares, as well as the suspension of their issuance, allocation and buyback (repayment);

(5) fund profit distribution policy;

(6) types, amount and procedure for calculation of bonuses and other compensation paid to the manager and the custodian from fund assets;

(7) types and maximum amount of expenses made out of fund assets;

(8) procedure and time limits for determining and publishing the net asset value of fund shares, as well as the allocation and buyback (repayment) prices;

(9) procedure for the appraisal of fund assets and the calculation of the fund net asset value;

(10) procedure for and conditions of replacing the manager and the custodian;

(11) list of the fund management functions that may be delegated to third parties (in case where such possibility is envisaged);

(12) procedure for publishing information;

(13) procedure for amending the fund charter;

(14) procedure for changing of the type of the fund, reorganisation of the fund and liquidation of the fund;

(15) other provisions provided for by this Law.

2. Other provisions and information subject to inclusion in the charter of an open-end corporate fund may be prescribed by normative legal acts of the Central Bank.

3. In case where amendments and (or) supplements are made to the fund charter, these amendments and (or) supplements must be submitted to the Central Bank within a ten-day period. The submitted amendments and (or) supplements shall be subject to registration by the Board of the Central Bank as prescribed by a normative legal act of the Central Bank and shall enter into force from the date of registration by the Central Bank. Changes in the capital as a result of issuance and buyback (repayment) of shares of an open-end corporate fund shall not give rise to necessity for amending the fund charter.

4. The Board of the Central Bank shall reject the registration of amendments and (or) supplements to the fund charter, where they contradict the law, other normative legal acts based thereon and (or) they do not stem from the interests of fund unit holders.

5. The provisions in parts 3 and 4 of this Article covering the registration of amendments and (or) supplements to a fund charter shall not apply to qualified investment funds, and the amendments and (or) supplements to the charters of the latter shall be registered by the decision of the Chairperson of the Central Bank within three working days from the date of submission to the Central Bank without verification of the content of such amendments and (or) supplements, unless a fund unit holder requires the verification by the Central Bank of their compliance with the law and normative legal acts adopted on the basis thereof.

(Article 23 amended by HO-198-N of 27 October 2016)

Article 24. Rules of a contractual fund

1. The rules of a contractual fund shall include at least the following:

   (1) name and duration of the fund (where its activity is limited to a certain period of time), name and location of the manager, the custodian and the registrar of fund unit holders (where the latter is a person other than the manager);

(2) type and status of the fund (based on the investment policy and the mechanism of issuance and buyback of fund units) (contractual fund);

(3) investment policy of the fund, including directions, thresholds of investments and other specific (geographical, branch-specific, etc.) restrictions, brief description of risks related to investments;

(4) purposes of entering into transactions using derivatives, types, thresholds of permissible derivative financial instruments, the maximum limits of acceptable risks and the method of their calculation, where pursuant to the fund charter the fund assets may be invested in derivative financial instruments;

(5) classes of units and the rights certified by each of them, the par value of a unit (where available);

(6) fund profit distribution policy;

(7) types, amount and procedure for calculation of bonuses and other compensation paid to the manager and the custodian from fund assets, types and maximum amount of expenses made on the account of the fund;

(8) procedure and time limits for determining and publishing the net asset value per unit, as well as the allocation and buyback (repayment) prices;

(9) procedure for the appraisal of fund assets and the calculation of the fund net asset value;

(10) procedure for publishing information;

(11) procedure for amending the fund rules;

(12) procedure for and conditions of replacing the manager and the custodian;

(13) list of the fund management functions that may be delegated to third parties (in case where such possibility is envisaged);

(14) procedure for and conditions of issuance, allocation and buyback (repayment) of units, as well as the suspension of issuance, allocation and buyback (repayment) of units;

(15) procedure for and conditions of exchanging the units, where a possibility of exchanging the units is envisaged;

(16) rights and duties of fund unit holders and the manager;

(17) minimum frequency of convening the meeting of the closed-end fund, procedure for holding thereof and adopting resolutions, cases of and procedure for calling extraordinary meetings, as well as exclusive authority conferred upon the fund meeting or indication that no fund meeting is convened in the fund concerned;

(18) procedure for changing of the type of the fund, acquisition of the fund and termination of the fund;

(19) other provisions provided for by this Law.

2. Other provisions and information subject to inclusion in the rules of an open-end contractual fund may be prescribed by normative legal acts of the Central Bank.

3. Acquiring a unit shall be construed as adoption of the fund rules by the unit holder.

4. In case where amendments and (or) supplements are made to the fund rules, these amendments and (or) supplements must be submitted to the Central Bank within a ten-day period. The submitted amendments and (or) supplements shall be subject to registration by the Board of the Central Bank as prescribed by a normative legal act of the Central Bank and shall enter into force from the date of registration by the Board of the Central Bank, except for the case prescribed by Articles 26 and 71 of this Law.

5. The Board of the Central Bank shall reject the registration of amendments and (or) supplements to the fund rules, where they contradict the law, other

normative legal acts based thereon and (or) they do not stem from the interests of fund unit holders.

6. The provisions in parts 4 and 5 of this Article covering the registration of amendments and (or) supplements to a fund rules shall not apply to qualified investment funds, and the amendments and (or) supplements to the rules of the latter shall be registered by the decision of the Chairperson of the Central Bank within three working days from the date of submission to the Central Bank without verification of the content of such amendments and (or) supplements, unless a fund unit holder requires the verification by the Central Bank of their compliance with the law and normative legal acts adopted on the basis thereof.

(Article 24 amended by HO-198-N of 27 October 2016, HO-72-N of 1 March 2017)

Article 25. Corporate fund management agreement

1. The agreement concluded between the corporate fund and the manager shall include at least the following:

   (1) rights and duties of the manager, including reciprocal authority and duties of the fund meeting (where available) and the custodian towards the manager;

   (2) amount and procedure for calculation of the bonus paid to the manager;

   (3) composition, structure and market value of the assets passed under the management of the manager;

   (4) information subject to be disclosed to the fund by the manager;

   (5) grounds and procedure for amending and terminating the agreement.

2. The manager may withdraw from the corporate fund management agreement only in the case provided for by Article 71 of this Law.

3. A corporate fund (except for a fund having the legal and organisational form of a limited partnership) may unilaterally repeal the fund management agreement concluded with the manager only upon the grounds prescribed by part 4 of this Article, which requires the preliminary consent of the Board of the Central Bank provided as prescribed by the normative legal act of the Central Bank. In the absence of the grounds prescribed by part 4 of this Article, the fund management agreement concluded with the manager may be unilaterally terminated where the corporate fund receives the preliminary consent of the Board of the Central Bank and not earlier than sixty calendar days after the fund meeting makes such a decision. The preliminary consent of the Central Bank provided for by this part shall not be required for qualified investment funds.

4. At the request of the Central Bank a corporate fund (except for a fund having the legal and organisational form of a limited partnership) shall be obliged to repeal within the time limit prescribed by the Central Bank the fund management agreement concluded with the manager for the purpose of protecting the interests of fund unit holders, where the manager fails to comply with their duties, prescribed by the law, normative legal acts adopted on the basis thereof or the fund rules, or has consistently or in bad faith or grossly breached the requirement for proper fulfilment thereof.

5. The effect of a corporate fund management agreement ceases where the licence of the manager or, in case of a pension fund, the relevant authorisation is repealed, as well as from the date of liquidation of the fund.

6. In case where amendments are made to the corporate fund management agreement, as well as a fund management agreement is concluded with a new manager, these amendments (the agreement) must be submitted to the Central

Bank within a ten-day period. The submitted amendments (the agreement) shall be subject to registration by the Board of the Central Bank as prescribed by the normative legal act of the Central Bank and shall enter into force from the date of registration, except for the case prescribed by Article 71 of this Law.

7. The Board of the Central Bank — provided for by part 6 of this Article — shall reject the registration of amendments of the fund management agreement or the new agreement, where they fail to comply with the requirements prescribed by this Law and normative legal acts adopted on the basis thereof.

8. The provisions pertaining to registration of amendments made to the fund management agreement and the fund management agreements concluded with a new manager in parts 6 and 7 of this Article shall not apply to corporate qualified investment funds, and the amendments made to their management agreements and the fund management agreements concluded with a new manager shall be registered by the Chairperson of the Central Bank without verification of their content unless a fund unit holder requires the verification by the Central Bank of compliance of those amendments or the agreement with the requirements prescribed by this Law and normative legal acts adopted on the basis thereof.

Article 26. Contractual fund management agreement

1. The conditions of a contractual fund management agreement shall be prescribed by the fund rules.

2. Acquiring a fund unit by a fund unit holder shall be construed as joining the contractual fund management agreement.

3. A contractual fund management agreement shall be terminated when unit is alienated, including in case of buyback (termination of the fund management agreement), as well as in case of termination of the fund.

4. The manager may withdraw from the contractual fund management agreement only in the case prescribed by Article 71 of this Law, as well as shall be obliged to withdraw, within the time limit prescribed by the Central Bank, from the contractual fund management agreement in the cases prescribed by part 5 of this Article.

5. The Central Bank may, on its own initiative or on the motion by the respective fund custodian, request the manager to withdraw from the contractual fund management agreement for the purpose of protecting the lawful interests of fund unit holders, where the manager fails to comply with their duties, prescribed by the law, normative legal acts adopted on the basis thereof or the fund rules, or has consistently or in bad faith or grossly breached the requirement for proper fulfilment thereof.

6. Except for the cases provided for by parts 4 and 5 of this Article, the contractual fund management agreement shall be amended by way of replacing the manager deemed a party thereto also in the event that the licence of the manager is revoked or the relevant authorisation in the case of a pension fund is repealed, as well as the fund management is transferred to another manager as prescribed by this Law and it is merged with a fund managed by another manager.

7. The manager of the fund shall make amendments to the fund rules, which requires the consent of at least the majority of the fund unit holders, except for the open-end contractual fund and those closed-end contractual fund, the rules whereof envisage convening the meeting in the fund. Moreover, in case of amendment made to the rules of the closed-end contractual fund causing restriction of his or her rights or other essential amendment, the fund unit holder shall — within a reasonable time limit — be entitled to request buyback of his or her units. Where the rules of the closed-end contractual fund envisage convening the meeting of the fund, the provisions prescribed by Article 50 and part 3 of Article 32 of this Law shall be applied to the amendments to the rules of that fund.

8. The amendments causing restriction of the rights of the fund unit holders or other essential amendments shall enter into force after two months upon registering thereof by the Central Bank, unless a longer time limit is provided for by the rules.

(Article 26 supplemented by HO-72-N of 1 March 2017)

CHAPTER 4

UNITS (SHARES) AND THEIR ISSUANCE, CIRCULATION AND REPAYMENT

Article 27. Fund units (shares)

1. A contractual fund shall issue units certifying the share of a fund unit holder in the fund assets.

2. A fund (except for mandatory pension funds) may issue units of different classes, which may differ in the par value of the unit, the number of votes (their absence) certified by a unit, the fees charged and the amount of profits paid to the fund unit holders. Units of different classes shall have different names.

2.1. In addition to the features prescribed by part 2 of this Article, the units of different classes issued by the securitisation fund may differ by the share in the fund revenues, the share in the net asset during termination (liquidation) of the fund and/or by the order of the fees received.

3. Units of the same class of the same fund shall give the same rights to the fund unit holders holding them. Where a unit has par value, the units of the same class shall have the same par value.

4. A person may acquire units with a number expressed as a fraction.

5. A corporate fund which is a joint-stock company may only issue ordinary registered shares.

6. The units (shares) of an open-end fund need not have par value.

(Article 27 supplemented by HO-322-N of 4 May 2018)

Article 28. Issuance and allocation of units (shares)

1. The units (shares) of an open-end fund shall be issued on a continuous basis ensuring their daily supply in the primary market. The value and number of units (shares) of an open-end fund shall not be fixed.

2. Except for the cases provided for by parts 2.1 and 3 of this Article, a unit (share) shall be allocated at the allocation price of the first respective unit (share) calculated and published as prescribed by Article 29 of this Law after the request for the acquisition (subscription) thereof is submitted and, in case of late payments for the unit (share), after the respective payment is made. The rules of closed-end and interval funds, as well as voluntary pension funds may envisage that a unit (share) is allocated at the allocation price of the latest respective unit (share) calculated and published as prescribed by Article 29 of this Law as of the date when the request for the acquisition (subscription) thereof is submitted and, in case of late payments for the unit (share), when the respective payment is made.

2.1. Mandatory pension fund units shall be allocated with the allocation price of the latest respective unit (share) calculated and published as prescribed by Article 29 of this Law as of the date when requests for their acquisition have been submitted.

3. The allocation price of the unit (share) of a fund issuing initial public offering shall be determined by the fund manager.

4. The payment for units (shares) shall be made using proceeds.

5. The receipt of a funded or voluntary pension contribution by the manager, agent or custodian of a pension fund shall for the purpose of this Article be regarded as submission of a request by the state or respective unit holder for acquiring a pension fund unit (share).

(Article 28 edited, supplemented by HO-213-N of 12 November 2012, supplemented by HO-68-N of 21 June 2014)

Article 29. Calculation and publishing of the net asset value per unit (share), the allocation and buyback prices thereof

1. Each working day the manager shall calculate and publish the net asset value per unit (share), allocation and buyback prices of units (shares) of the open-end fund managed thereby. Moreover, the net asset value per unit (share), allocation and buyback prices of units (shares) published each working day must reflect their value (price) as of the date set by the fund rules (charter) (cut-off point). The cut-off point may be no earlier than the end of the working day preceding the day of publishing. In the cases provided for by the fund rules (charter), separate calculation and publishing of the net asset value per unit (share), allocation and buyback prices may be carried out for various periods within a day. The maximum time limits for publishing as provided for by this part may be prescribed by normative legal acts of the Central Bank.

1.1. On fixed working days, the manager may not calculate and publish the net asset value of the fund, where:

(1) calculation of the net asset value of the given fund is delegated to another person which is a foreign organisation; and

(2) those days were posted to the website of the manager in advance. Moreover, those days may include non-working days for the person referred to in sub-point 1 of this point, as well as Saturdays and Sundays (irrespective of whether or not they are working days).

2. Within the time periods (within the interval or on the day or days) of allocation and buyback of units (shares), the provisions prescribed by part 1 of this Article shall also apply to closed-end and interval funds. Moreover, the net asset value per unit (share), the allocation and buyback prices for the working day preceding the day of commencement of allocation of units (shares) (in the case of an interval fund — also their buyback) by a closed-end or interval fund shall be calculated and published no later than the end of the given day.

3. Irrespective of the cases provided for by part 2 of this Article, the manager shall calculate and publish the net asset value per unit (share), the allocation and buyback prices of units (shares) of the closed-end and interval funds managed thereby also at the frequency prescribed by the fund rules (charter). The minimum frequency for the calculation and publishing provided for by this part shall be prescribed by the Central Bank, and it may be no less than once a year in case of securitisation fund and no less than once a month in case of other funds.

4. The allocation and buyback prices of a unit (share) (except for the allocation prices of a unit (share) additionally allocated by a closed-end fund, as well as of a unit (share) of a fund making initial public offering) shall be calculated based on the net asset value per given unit (share) as published for that day (respective time period) and may differ from it only in the cases and the amount prescribed by parts 5 or 6 of this Article, respectively. The allocation price of a unit (share) additionally allocated by a closed-end fund may not be less than the net asset value per given unit (share) published for the given day (respective time period).

5. The allocation price of a unit (share) may exceed the net asset value per given unit (share) published for the given day (respective time period) by the amount of fees (additional interest) and expenses prescribed by the fund rules (charter), except where they have already been taken into account when calculating the net asset value of the fund (sub-fund).

6. The buyback price of a unit (share) may be lower than the net asset value per given unit (share) published for the given day (respective time period) by the amount of fees (discount rate) and expenses prescribed by the fund rules (charter), except where they have already been taken into account when calculating the net asset value of the fund (sub-fund).

(Article 29 edited by HO-213-N of 12 November 2012, HO-68-N of 21 June 2014, supplemented by HO-72-N of 1 March 2017, amended by HO-322-N of 4 May 2018)

Article 30. Unit (share) allocation and buyback (repayment) fees

1. The fees (additional interests, discount rates) charged for allocation and (or) buyback of units (shares) shall be paid at the expense of the person acquiring (requesting the buyback of) units (shares).

2. The amounts of fees for allocation and (or) buyback (repayment) of units (shares) shall be set by the fund rules (charter) as an interest against the net asset value per unit (share) or as a fixed amount. Normative legal acts of the Central Bank may set the maximum amounts of these fees.

3. Where the profits of a fund are distributed through the units (shares) issued by the fund, no allocation fee may be charged for them.

4. Where a fund unit holder requests buyback of the units (shares) for distributing the fund assets in the event of liquidation (termination) of the fund, including for acquiring units (shares) of another fund at the expense of such assets, as well as in the cases where the fund management has passed under another manager's management or the type of the fund has changed without their consent, no buyback (repayment) fee may be charged.

(Article 30 supplemented by HO-213-N of 12 November 2012)

Article 31. Exchange of units

1. Units may be exchanged with units of another class of the given fund or units of another fund managed by the same manager and having the same type in terms of the issuance and buyback mechanism, where the possibility of exchanging units is envisaged by the fund rules. The units of a pension fund may also be exchanged with units of a pension fund managed by another manager. Moreover, the units of a mandatory pension fund may be exchanged with units of a mandatory pension fund only, while the units of a voluntary pension fund — with units of a voluntary pension fund.

2. The units of one sub-fund may be exchanged with units of another sub-fund of the given fund in compliance with the fund rules.

3. Units shall be exchanged at the buyback (repayment) and allocation prices respectively determined as prescribed by this Chapter for units bought back (repaid) and allocated on the day (hour) when the exchange request was made, as prescribed by the fund rules. Exchange of mandatory pension fund units, as well as exchange of voluntary pension fund units managed by different managers shall be carried out at the buyback (repayment) prices determined for the day (hour) when the request for exchange was made and at the allocation prices determined for the day (hour) of allocating new units.

4. Units shall be exchanged only at the request of a fund unit holder.

(Article 31 edited by HO-213-N of 12 November 2012)

Article 32. Buyback (repayment) of units (shares)

1. A unit holder of an open-end fund shall be entitled to submit each working day the units (shares) they hold to the respective fund for buyback. At the request of the fund unit holder the open-end fund shall be obliged to buy back (repay) the units (shares) it has issued within the time limit provided for by the fund rules

(charter). This time limit shall be counted from the day when the fund unit holder makes the request for buyback of a unit (share) and may not exceed three working days.

2. At the request of the fund unit holder an interval fund shall be obliged to buy back (repay) the units (shares) it has issued within the interval provided for by the fund rules (charter) — no later than within three working days following acceptance of the buyback (repayment) request. The time period for acceptance of the request for buyback (repayment) of units of an interval fund may be no less than three working days, and the frequency of buyback intervals — no less than once a year.

3. The unit holders of a closed-end contractual fund, who at the fund meeting voted against the fund acquisition or amendments or supplements to the fund rules restricting their rights or did not participate in the voting, as well as are entitled to request buyback of their units in the cases provided for by Article 71 of this Law in accordance with the procedure and conditions prescribed by the Law of the Republic of Armenia "On joint-stock companies", where no other regulation is provided for by this Law, as well as taking into account the peculiarities of the contractual fund.

4. Shares of closed-end corporate funds shall be subject to buyback in the cases and in accordance with the procedure prescribed by the Law of the Republic of Armenia "On joint-stock companies" and Article 71 of this Law.

5. A unit (share), except for units of a mandatory pension fund, shall be bought back (repaid) at the first calculated and published buyback price of the given unit (share) as prescribed by Article 19 of this Law after the respective request is made by the fund unit holder. The rules of closed-end and interval funds, as well as voluntary pension funds may envisage that a unit (share) is bought back (repaid) at the latest calculated and published buyback price of the given unit

(share) as prescribed by Article 29 of this Law as of the date when the request for buyback (repayment) is made.

5.1. Units of a mandatory pension fund shall be bought back (repaid) at the latest calculated and published buyback price of the given unit as prescribed by Article 29 of this Law as of the date when the request for their buyback (repayment) is made.

6. Upon buyback (repayment), the buyback (repayment) price of a unit (share) shall be paid from the fund assets using proceeds.

7. The unit (share) bought back shall not entitle the holder to vote, shall not be taken into account when calculating the votes, as well as the net asset value per unit (share), and no dividend shall be calculated based thereon. The unit (share) bought back may not be sold again and shall be subject to repayment.

8. ***(Part repealed by HO-68-N of 21 June 2014)***

(Article 32 edited, supplemented by HO-213-N of 12 November 2011, amended by HO-68-N of 21 June 2014)

Article 33. Suspension of issuance, allocation and buyback (repayment) of units (shares)

1. The Central Bank may upon its decision order the manager (the corporate fund) to suspend — for the time period prescribed by the decision, but not earlier than the elimination of causes serving as grounds for the decision — the issuance, allocation or buyback (repayment) of the units (shares), where the requirements prescribed by the law and normative legal acts adopted on the basis thereof have been violated or there is an explicit possibility of their violation or where it is necessary for protecting the lawful interests of the investors.

2. The manager of an open-end or interval fund may, in the cases provided for by the fund rules (charter), upon the grounds prescribed by the Central Bank, suspend the buyback (repayment) of units (shares) for a period of no longer than 3 months by informing the Central Bank and the custodian about the suspension of the buyback (repayment) of units (shares) in advance, indicating the grounds therefor, as well as publishing that information within three days in press with print run of at least 3 000 copies being circulated throughout the republic. The informing and publishing requirement provided for by this part shall not apply to qualified investment funds.

3. The rules of specialised funds may define longer time periods for suspension of the buyback (repayment) of units (shares) but no longer than six months, and one year for qualified investment funds.

4. The Central Bank may, on its own initiative or by the motion of the custodian, require from the manager to resume the buyback (repayment) of the fund units, where the suspension grounds provided for by part 2 of this Article do not exist or have already ceased to exist.

5. During the period of suspension of the issuance, allocation or buyback (repayment) of units (shares), the issuance, allocation or buyback (repayment) of units (shares), respectively, shall be prohibited.

6. When calculating the defined period for satisfying the request for acquisition, exchange or buyback (repayment) of units (shares) made prior to the commencement of the suspension period provided for by this Article or during the suspension period, the period of suspension of the issuance, allocation or buyback (repayment) of those units (shares), respectively, shall not be included. Moreover, in the cases of making a request for exchanging units where the allocation of the units subject to acquisition is suspended, the fund unit holder shall within a reasonable time limit be informed of that, as well as of their right

to make a request for acquiring units of another fund instead of the units being bought back (repaid).

(Article 33 supplemented by HO-213-N of 12 November 2012)

Article 34. Prohibition of issuance and buyback (repayment) of units (shares)

1. The issuance and buyback (repayment) of units (shares) shall be prohibited during the period when:

   (1) there is no manager or custodian;

   (2) the manager or the custodian has been declared insolvent and (or) is going through the liquidation process;

   (3) the fund is going through the termination (liquidation) process.

SECTION 3

INVESTMENT POLICY OF FUNDS

CHAPTER 5

PRINCIPLES OF INVESTING FUND ASSETS AND RISK MANAGEMENT

Article 35. Principles of investing fund assets

1. Fund assets may only be invested in the assets envisaged by the fund rules or charter, taking into account the investment policy requirements prescribed by this Law for that particular type of fund.

2. Fund investments must be diversified enough for that particular type of fund so that the risks are distributed efficiently.

Article 36. Risk management

1. The manager shall be obliged to introduce a risk management system enabling to supervise and assess at any time the risk of the positions and their share in the total risk of the fund portfolio. The manager shall be obliged to introduce a process which will ensure proper and independent assessment of the value of derivative financial instruments circulated outside the regulated market.

2. The requirements for a risk management system shall be prescribed by the Central Bank.

3. The manager shall be obliged to ensure that the total risk related to the derivative financial instruments in which the fund assets have been invested does not exceed the fund net asset value, except for hedge funds. Moreover, while calculating the risk provided for by this part the current value of the assets forming the basis of those specific derivative financial instruments, the risk related to the other party of the transaction, the current move in the market, and the time period of closing the positions shall be taken into account.

(Article 36 amended by HO-198-N of 27 October 2016)

Article 37. Prohibition of investing fund assets and other requirements for investing fund assets

1. Fund assets may be invested in the securities issued, held and (or) sold by the manager of that particular fund, the custodian, their heads, registrar of the fund unit holders and the entity conducting the independent audit, as well as persons affiliated thereto or in other assets upon prior consent of the Central Bank (for

each case of investment). The Central Bank may refuse to give consent, where the manager has not sufficient procedures and proper internal control system, which will ensure the protection of the best interest of fund unit holders in case of such investments and/or the interest of the fund unit holders will be jeopardised as a result of such investment.

The prior consent of the Central Bank shall not be required for the case provided for by part 2 of this Article, as well as the cases where those securities have been acquired at the expense of the fund assets through a transaction carried out in the regulated market. The safekeeping of fund assets with the custodian, including that against certain interests, shall not be deemed investment in the assets of the custodian.

1.1. Fund assets may not be sold outside the regulated market to the persons provided for by part 1 of this Article.

2. Fund assets may be invested in the units (shares) of another fund managed (directly or by way of delegating) by the manager (or a person affiliated thereto) of the given fund only in case where the following conditions exist simultaneously:

(1) investment policies of the funds differ significantly;

(2) such a possibility is provided for by the fund rules (charter); and

(3) the manager does not charge allocation and (or) buyback (repayment) fees therefor.

3. The manager investing a significant amount of the fund assets in the units (shares) of another fund, must disclose — in the fund prospectus of that fund — the maximum amount of management fees that may be charged by the managers of the funds in the units (shares) managed thereby it is planned to invest the fund assets. They shall be obliged to mention in the annual report of the fund the maximum ratio of the management fees charged thereby and by the managers of

the funds in the units (shares) managed thereby the fund assets have been invested.

4. Fund assets may not be invested in equity securities of non-commercial organisations.

5. At the expense of fund assets no loan may be extended to or no amount may be borrowed by, as well as no guarantee or surety may be provided to or stood by the persons referred to in part 1 of this Article.

(Article 37 amended, supplemented by HO-213-N of 12 November 2012, edited by HO-72-N of 1 March 2017)

CHAPTER 6

INVESTMENT POLICY OF STANDARD FUNDS

Article 38. Investment policy of standard funds

1. The requirements prescribed by this Chapter shall only apply to standard funds, except for standard funds deemed a qualified investment fund.

Article 39. Restrictions on borrowing and other transactions

1. Fund assets may not be generated through borrowed means, except for the cases provided for by part 2 of this Article. Fund assets may not be generated through selling the securities or other financial instruments, provided for by Article 40 of this Law, which are not possessed by the fund at the date of concluding the transaction (short sale).

2. The manager may borrow in the amount not exceeding ten per cent of the fund assets for which these borrowed means are intended:

   (1) in case of short-term borrowed means (with maturity of up to three months);

   (2) where it is targeted at acquiring real estate directly necessary for the operation of the corporate fund.

3. Unless otherwise provided for by this Law, it shall not be allowed to provide borrowing or guarantee or to stand surety at the expense of fund assets.

4. Fund assets may not be pledged or secured otherwise. The requirement envisaged by this part shall not limit the right to conclude repo (reverse repo) transactions at the expense of fund assets, provided that it is envisaged by the fund rules (charter) and that such a transaction does not result in exceeding the thresholds envisaged by this Chapter.

(Article 39 amended by HO-72-N of 1 March 2017)

Article 40. Investment of fund assets

1. Fund assets may only be invested in the following assets:

   (1) securities, prescribed by subpoints (a), (b), (c), and (f) of point 1 of Article 3 of the Law of the Republic of Armenia "On securities market", allowed to be traded in regulated markets operating in the Republic of Armenia, as well as in the regulated markets operating in foreign states included in the list defined by the Central Bank (hereinafter in this chapter referred to as the securities);

   (2) securities allowed to be traded in the regulated markets, not referred to in point 1 of this part, operating in foreign states, where the respective regulated market is open for public, operates on a regular basis and is envisaged by the fund rules (charter);

(3) newly issued securities, which — according to issuance and (or) offering conditions thereof — must be allowed in the regulated market prescribed by point 1 or 2 of this part within 12 months following their issuance;

(4) money market instruments not referred to in points 1 and 2 of this part, where:

a. they are issued or guaranteed by the Republic of Armenia, the Central Bank, the communities of the Republic of Armenia, an international organisation included in the list prescribed by the Central Bank or by a foreign state or the Central Bank or local self-government body of that state; or

b. any other security of the issuer is allowed to be traded in the regulated markets prescribed by point 1 or 2 of this part; or

c. they are issued or guaranteed by an organisation complying with the requirements prescribed by normative legal acts of the Central Bank;

(5) units or shares of open-end standard funds operating in the Republic of Armenia or foreign open-end funds complying with the requirements prescribed by a normative legal act of the Central Bank;

(6) banks operating in the Republic of Armenia or foreign banks complying with the requirements prescribed by a normative legal act of the Central Bank as an on-demand deposit or a term deposit with maturity of up to one year;

(7) derivative financial instruments allowed to be traded in the regulated markets provided for by point 1 or 2 of this part;

(8) derivative financial instruments being circulated outside the regulated market:

a. the objects thereof are the securities, bank deposits, fund units or shares, stock indexes, interest rates, foreign exchange rates or the

currency, in which the fund may invest, in accordance with its rules or charter;

b. the other party of the transaction carried out therethrough is subject to financial control; and

c. value thereof may credibly and reliably be assessed each day, and which, on the initiative of the fund, may at any point be sold at a fair price (closing the position through an offsetting transaction);

(9) other liquid assets prescribed by the Board of the Central Bank in compliance with the requirement provided for by part 2 of this Article;

(10) securities and derivative financial instruments not provided for by points 1 to 9 of this part, where the total value thereof does not exceed 10 per cent of the total value of the fund assets.

2. Assets of an open-end fund may not be invested in precious metals or securities entitling acquisition thereof or derivative financial instruments.

3. ***(Part repealed by HO-213-N of 12 November 2012)***

4. Normative legal acts of the Central Bank may define requirements detailing the provisions of this article, as well as other prudential standards, including those of temporary effect, for the activity of the fund. In the cases provided for by a normative legal act of the Central Bank, the prudential standards envisaged by this part may not apply to newly-established funds within one year from establishment thereof. In cases where a fund violates prudential standards prescribed by this Law and a normative legal act of the Central Bank adopted on the basis thereof, the manager shall be obliged to inform the Central Bank within three working days (unless a shorter time period for informing about the violation of a particular prudential standard is prescribed by this Law) and undertake measures to remedy the violation within the shortest period possible.

(Article 40 amended by HO-213-N of 12 November 2012, edited, amended by HO-198-N of 27 October 2016)

Article 41. Distribution of risks related to investment of fund assets

1. The restrictions on investment of fund assets in permissible instruments provided for by Article 40 of this Law shall be prescribed by normative legal acts of the Central Bank. Such restrictions may apply to:

   (1) the maximum amount of fund assets that may be invested in securities issued by one person or persons belonging to the same group or affiliated persons, including based on the class of securities;

   (2) the maximum amount of securities issued by one person or persons belonging to the same group or affiliated persons, which may be acquired by the fund, including based on the class of securities;

   (3) the maximum amount of fund assets that may be deposited with one bank;

   (4) the extent of the risk related to the party of a transaction concluded with one person or persons belonging to the same group or affiliated persons against the fund assets using a derivative financial instrument, depending on the type of the party to the transaction;

   (5) the conditions and maximum amounts of investments in units or shares of other funds;

   (6) the maximum ratio between the value of the fund assets and the total value of securities issued by, bank deposits placed with, derivative financial instruments concluded with one person or persons belonging to the same group or affiliated persons;

   (7) other restrictions, including those of temporary effect.

2. Certain restrictions provided for by part 1 of this Article may not apply, in the case envisaged by a normative legal act of the Central Bank, to newly-established standard funds within one year from establishment thereof.

3. Cases of derogation from the restrictions provided for by part 1 of this Article, as well as minimum time limits and conditions for removing those derogations may be prescribed by a normative legal act of the Central Bank.

4. The restrictions provided for by parts 1 and 2 of this Article may vary for index and money market funds.

(Article 41 amended by HO-198-N of 27 October 2016)

Article 42. Peculiarities of investments of index funds

1. The index of shares or bonds the structure whereof duplicates the index fund must comply with the following requirements:

   (1) its structure must be sufficiently diversified;

   (2) it must be sufficiently representative of that particular securities market;

   (3) it must be published in a proper manner.

2. A normative legal act of the Central Bank may define criteria detailing the requirements for the index of securities forming the basis of investments of index fund assets under part 1 of this Article, as well as specify additional requirements.

Article 43. Peculiarities of investments of money market funds

1. Money market fund is a type of standard fund, at least 90 per cent of assets whereof, in accordance with the fund rules or charter, may be invested in money market instruments, including in debt securities with maturity of more than one year, maturity whereof expires in less than a year, in short-term bank deposits, in derivative financial instruments and in units or shares of other money market funds.

2. Normative legal acts of the Central Bank may define additional requirements for the investments of money market funds and regarding the banks, deposits may be placed therewith, as well as derivative financial instruments, money market instruments and (or) issuers thereof.

(Article 43 amended, supplemented by HO-213-N of 12 November 2012, amended by HO-198-N of 27 October 2013)

CHAPTER 7

INVESTMENT POLICY OF SPECIALISED FUNDS

Article 44. Requirements for investment of assets of a specialised fund

1. For particular types of specialised funds not deemed a qualified investment fund, the law or normative legal acts of the Central Bank may define the following:

   (1) the minimum amount of fund assets that must be in the form of liquid assets;

   (2) restrictions based on the types and (or) classes of assets;

   (3) the maximum amount of fund assets that may be invested in securities not allowed to be traded in the regulated market;

   (4) the maximum amount of securities, issued by one person or persons belonging to the same group or affiliated persons, which may be acquired by the fund;

   (5) the maximum amount of fund assets that may be invested in securities issued by one person or persons belonging to the same group or affiliated persons, as well as the maximum amount of fund assets whereon the fund

may conclude derivative financial instruments with one person or person belonging to the same group or affiliated persons;

(6) the maximum amount of fund assets that may be invested in one separate property;

(7) the conditions and maximum amounts of investments in units or shares of other funds;

(8) the conditions of borrowing and the maximum amount of borrowings against the total value of fund assets;

(9) other prudential standards for fund activity, including those of temporary effect.

(10) the maximum amount of participation of one originator in the asset pool.

2. The law or normative legal acts of the Central Bank may prescribe requirements for the investment policy of qualified investment funds, which must be less strict than the requirements prescribed for funds not deemed a qualified investment fund, as well as may prescribe prudential standards for their activity, including those of temporary effect.

3. The restrictions provided for by part 1 or 2 of this Article may not apply, in the cases envisaged by a normative legal act of the Central Bank, to newly-established specialised funds within one year from the establishment thereof. In cases where a specialised fund violates the prudential standards prescribed by this Law and a normative legal act of the Central Bank adopted on the basis thereof, the manager shall be obliged to inform the Central Bank within three working days (unless a shorter time period for informing about the violation of a particular prudential standard is prescribed by this Law) and undertake measures for eliminating the violation within the shortest possible time period.

(Article 44 supplemented by HO-213-N of 12 November 2012, edited by HO-198-N 27 October 2016, supplemented by HO-322-N of 4 May 2018)

Article 45. Investment of assets of a real estate fund

1. In accordance with the rules or charter of a real estate fund:

   (1) at least 30 per cent of the fund assets must be invested in real estate; or

   (2) at least 50 per cent of the fund assets must be invested in real estate and (or) securities related to real estate.

2. Securities related to real estate provided for by part 1 of this Article shall be the following:

   (1) units and shares of other real estate funds;

   (2) securities of other organisations the main activity whereof are investments in real estate or management of real estate;

   (3) secured mortgage bonds issued by banks;

   (4) derivative financial instruments based on the securities referred to in points 1, 2 and 3 of this part.

3. Real estate acquired by a real estate fund shall be subject to compulsory insurance.

(Article 45 amended by HO-198-N of 27 October 2016)

Article 46. Investment of assets of a hedge fund

1. In accordance with the rules or charter of a hedge fund, the fund assets shall be mainly generated from the following:

   (1) unlimited borrowings and use of derivative financial instruments; and (or)

   (2) selling assets not possessed by the fund at the date of concluding the transaction (short sale).

2. A hedge fund shall be deemed a qualified investment fund.

(Article 46 amended by HO-198-N of 27 October 2016)

Article 47. Investment of assets of private equity fund

1. In accordance with the rules or charter of a private equity fund, at least 50 per cent of the fund assets must be invested in securities not allowed to be traded in regulated markets.

2. A private equity fund may function as a venture fund, where in accordance with the fund rules or charter at least 50 per cent of the fund assets must be invested in securities not allowed to be traded in regulated markets and which are issued by newly-established organisations or organisations at their early stage of development for the purpose of growth, development of those organisations or for the purpose of allowing the securities issued thereby in regulated markets.

3. In cases where the assets of the fund drop below the minimum threshold prescribed by part 1 or 2 of this Article as a result of the securities acquired by the fund being allowed to be traded in regulated markets, those securities shall be subject to alienation by the venture fund within one month until the threshold requirement prescribed by part 1 or 2 of this Article is complied with.

4. A private equity fund (including a venture fund) shall be deemed a qualified investment fund.

Article 48. Investment of assets of a fund of funds

1. In accordance with the rules or charter of a fund of funds, at least 50 per cent of the fund assets must be invested in units and (or) shares of other funds.

SECTION 4

FUND MANAGEMENT AND MANAGER

CHAPTER 8

FUND MANAGEMENT

Article 49. Governance of a corporate fund

1. The highest governance body of a corporate fund (except for a fund having the legal and organisational form of a limited partnership) shall be the fund meeting, exclusive authority whereof include:

   (1) electing the representative of fund unit holders to the board of directors of the manager and early termination of the powers thereof, except for the cases when, in accordance with the fund charter, such a representative is not elected;

   (2) ***(point repealed by HO-68-N of 21 June 2014)***

   (3) electing the entity conducting independent audit of the fund;

   (4) forming the ballot committee and adopting the procedure of the meeting;

   (5) making a decision on amending and terminating the fund custody and fund management agreements and concluding fund custody and fund management agreements with a new manager and custodian as prescribed by law;

   (6) approving the amendments and (or) supplements to the fund charter;

(7) making decisions on the fund reorganisation and liquidation, as well as appointing a liquidation committee and approving the interim and liquidation balance sheets.

2. The authority to make decisions on issues provided for by part 1 of this Article may not be delegated to the manager.

3. Authority not provided for by part 1 of this Article may also be reserved to the fund meeting by the charter of the corporate fund, including a right to approve certain decisions made by the manager in accordance with the law.

4. The provisions prescribed by the Law of the Republic of Armenia "On joint-stock companies" for general meeting of shareholders shall cover the preparation, the conduct of the fund meeting, decision making and other relations pertaining thereto, unless otherwise regulated by this Law.

5. No board of directors or audit committee (auditor) shall be set up in a corporate fund. The exclusive authority, reserved to the general meeting of shareholders or the board of directors (supervisory board) by the Law of the Republic of Armenia "On joint-stock companies" and not conferred upon the fund meeting by this Law and (or) the fund charter, shall be exercised by the board of directors of the manager as its exclusive authority.

6. The executive management of a corporate fund, as well as the management of the fund assets must be undertaken by a person holding a licence for fund management activity. Moreover, the functions provided for by this part shall be performed by the manager on behalf of the corporate fund, irrespective of the fact whether by this Law the relevant function is vested in the fund or directly in the manager.

7. The management of a fund established in the legal and organisational form of a limited partnership shall be carried out by general partner holding a licence for fund management activity.

(Article 49 amended, supplemented by HO-68-N of 21 June 2014)

Article 50. Meeting of a closed-end contractual fund

1. For the purpose of making decisions on issues provided for by part 3 of this Article or by the fund rules, at least once a year a meeting of a closed-end contractual fund shall be convened, the right of participation wherein shall be entitled to all the fund unit holders with voting power in proportion to the number and net asset value of units held thereby, as well as other persons provided for by the fund rules.

2. An extraordinary meeting shall be convened at the request of a fund unit holder (unit holders) having at least 10 per cent holding in the fund.

3. Making a decision on at least the following issues shall be reserved to the exclusive authority of the fund meeting:

   (1) electing the representative of fund unit holders in the board of directors of the manager, early termination of the powers thereof, except for the cases where, in accordance with the fund rules, such a representative is not elected;

   (2) electing the entity conducting independent audit of the fund;

   (3) forming the ballot committee and adopting the procedure of the meeting;

   (4) giving consent to the resolutions of the board of directors of the manager on amending or terminating the fund custody agreement and concluding a fund custody agreement with a new custodian as prescribed by this Law;

   (5) giving consent to the resolution of the board of directors of the manager on approving the amendments and (or) supplements to the fund rules;

   (6) giving consent to the resolutions of the board of directors of the manager on acquisition or termination of the fund, as well as approving the interim and liquidation balance sheets.

4. The authority of the meeting of a closed-end contractual fund to make decisions on the issues provided for by part 3 of this Article may not be delegated to the manager.

5. The provisions prescribed by the Law of the Republic of Armenia "On joint-stock companies" for general meeting of shareholders shall cover the preparation, the conduct of the meeting of a closed-end contractual fund, decision making and other relations pertaining thereto, unless regulated otherwise by this Law, as well as taking into account the peculiarities of the closed-end contractual fund.

6. The requirements of this Article shall not extend to the closed-end contractual funds, the rules whereof envisage that no fund meeting shall be convened in that particular fund.

Article 51. Fund management

1. Fund management is the settlement of issues pertaining to the fund activity, except for the powers vested — by this Law and (or) the fund rules (charter) — in the fund meeting (where available), which particularly includes:

   (1) investment management, which implies making decisions within the scope of the fund investment policy on investment of the fund assets and implementation thereof;

   (2) managerial functions:

   (a) organising the issuance and buyback (repayment) of units or shares;

   (b) legal functions related to the fund management and organising the accounting;

   (c) calculating the fund net asset value, as well as net asset value per share and allocation and buyback (repayment) price of the fund units or shares;

(d) maintaining the register of the fund unit holders;

(e) fund profit determination and organising the profit distribution among the fund unit holders;

(f) acting as a tax agent for fund unit holders in terms of the profits generated due to the contractual fund, as well as the dividend generated from the securities issued by the corporate investment fund and profits generated through the buyback of those securities;

(g) providing necessary information to the fund unit holders;

(h) other managerial functions;

(3) organising the supply and allocation of units or shares (marketing).

2. For the purpose of this Law, fund management shall also be the management of a pension fund, unless the meaning of a particular provision implies that in the given case the fund management solely applies to the management of funds other than a pension fund.

3. Only one manager shall carry out the management of the same fund.

4. A manager may manage more than one fund. Moreover, the contractual funds managed by the same manager must differ from one another in the type, investment policy thereof, the fund unit holders' rights attached to the units and (or) limitation of the scope of the fund unit holders.

5. For the purposes of this Law, fund management shall only be the management carried out by the manager, except for the fund governance by the fund meeting provided for by Article 49 of this Law.

CHAPTER 9

MANAGER

Article 52. Manager

1. A manager may only be set up in the legal and organisational form of a joint-stock company or limited liability company.

2. A manager is set up for carrying out the managerial activity of a fund (including a private fund) and may not carry out other activity, except for the cases provided for by parts 4 and 5 of this Article.

3. To carry out the activity of pension fund management, a manager shall, in addition to the fund management licence, also receive the authorisation for management of a voluntary or mandatory pension fund, respectively, as prescribed by this Law. Moreover, a manager having received authorisation for management of a mandatory pension fund shall not be required to receive additional authorisation for carrying out the management of voluntary pension funds.

4. In case of receiving the respective authorisation as prescribed by this Law, the manager may, together with the fund management activity, also manage the package of securities prescribed by point 5 of part 1 of Article 25 of the Law of the Republic of Armenia "On securities market".

5. In case of receiving the respective authorisation as prescribed by this Law, the manager may provide the following as additional services:

   (1) consultancy, prescribed by point 3 of part 1 of Article 25 of the Law of the Republic of Armenia "On securities market", in relation to investments in the securities managed thereby; and (or)

   (2) custody of units or the fund shares.

6. *(Part repealed by HO-68-N of 21 June 2014)*

7. When providing the services provided for by part 3 or 4 or 4 and 5 of this Article, the requirements for providing such services shall apply to the manager, except for the licensing requirement.

8. The manager shall not be entitled to use such misleading words in the name thereof which may cause false assumptions on the financial position or legal status of or the activity carried out by the given manager.

9. Entities holding no corresponding licence issued by the Central Bank shall be prohibited to use the phrase "investment fund manager", the inflected forms thereof, the transliterations of these words in a foreign language, translations thereof into Armenian or combinations thereof in their names, advertisements, public offer, or to otherwise support in advertising, unless the meaning of the usage of the phrase "investment fund manager" or the derivatives thereof implies that it does not refer to the fund management activity prescribed by this Law, and unless the right to such usage is vested by law or international treaties.

10. The norms prescribed for a manager by this Law or normative legal acts adopted on the basis thereof shall also apply to branches of a foreign manager set up in the territory of the Republic of Armenia, except for the cases otherwise prescribed by this Law or normative legal acts adopted on the basis thereof, or where the essence of legal norm obviously implies that it cannot refer to a branch of a foreign manager set up in the territory of the Republic of Armenia.

(Article 52 amended by HO-68-N of 21 June 2014)

Article 53. Fund management licence

1. The licence for fund management activity (hereinafter referred to as the licence) shall be a document certifying the authorisation for fund management activity

provided by the Central Bank as prescribed by this Law and normative legal acts adopted on the basis thereof. Without a licence (and for management of a pension fund — also without the additionally provided corresponding authorisation), it shall be prohibited to carry out fund management activity, make a proposal for carrying it out or act as a person carrying it out.

2. The licence or the rights attached thereto may not be pledged, transferred or otherwise alienated.

3. Licence shall be provided for an indefinite term.

4. The number of the licence, the date of issue, the full trade name of the manager (full trade name of the foreign manager and the name of the branch thereof set up in the territory of the Republic of Armenia) and the registration number shall be indicated in the licence.

5. The standard form of the licence shall be prescribed by normative legal acts of the Central Bank.

6. The licence shall be issued or revoked by the decision of the Board of the Central Bank. The licence shall be revoked exclusively upon grounds and as prescribed by this Law. Where other provisions are prescribed by other laws with regard to revoke of the licence, the provisions of this Law shall apply.

7. In case where the licence is lost or becomes unfit for use, the manager shall be obliged, without delay but no later than within three working days, to inform the Central Bank thereof. At the request of the manager, the Central Bank shall — within a period of ten days — provide a duplicate of the licence to the manager.

Article 54. Registration and licensing of the manager

1. The procedure for registration and licensing of the manager shall be prescribed exclusively by this Law and normative legal acts of the Central Bank adopted on

the basis thereof. Where other provisions on licensing of the manager are prescribed by other laws, the provisions of this Law shall apply.

2. For state registration and licensing of the manager, founders thereof shall, in the form and in accordance with the procedure prescribed by normative legal acts of the Central Bank, submit the following to the Central Bank:

(1) application for registration and licensing;

(2) application for receiving the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law (where the manager will also provide the corresponding service (services));

(3) business plan of the manager;

(4) charter of the manager approved by the meeting of founders of the manager;

(4.1) request for registration of the trade name of the manager (except for a branch of a foreign manager set up in the territory of the Republic of Armenia), the requirements therefor, the list of documents to be enclosed, as well as the relations pertaining to the consideration of the request and the registration of the trade name and changes thereof are regulated by the procedure jointly defined by the Central Bank and the authorised body of the Government of the Republic of Armenia;

(5) list of founders of the manager and information prescribed by the Central Bank with regard thereto;

(6) resolution of the meeting of founders of the manager on appointing the heads of the manager;

(7) information on the heads of the manager, samples of signatures of the executives ratified by notary, carbon copies of their professional qualification certificates;

(8) application for receiving the preliminary consent of the major shareholders of the manager enclosing the documents required by this Law and normative legal acts adopted by the Central Bank;

(9) drafts of the procedure of the manager, bylaws regulating the activity of the executives and employees (hereinafter referred to as the rules of activity);

(10) document certifying the payment of the authorised capital of the manager to the account opened with the Central Bank or any bank, not affiliated to the manager, operating within the territory of the Republic of Armenia;

(11) list of employees carrying out fund management activity inside the structure of the manager or on its behalf and carbon copies of the documents certifying their professional qualification;

(12) statement on the compliance of the premises of the manager with the criteria defined by the Central Bank;

(13) receipt of the payment of the state duty;

(14) other documents provided for by the Law of the Republic of Armenia "On funded pension" (where the manager shall also carry out management of pension funds);

(15) other documents prescribed by normative legal acts of the Central Bank.

3. The Central Bank may request additional information and documents necessary for the evaluation of authenticity of the information and documents provided for by part 2 of this Article.

4. The Central Bank may define, by its normative legal acts, exceptions for submission of certain documents and information provided for by part 2 of this Article, in respect of branches of a foreign manager set up in the territory of the Republic of Armenia, non-resident major shareholders and executives, where the possibility to submit such documents or information is restricted by the

legislation of the particular country or they do not apply to that particular person.

5. An operating manager shall, for the purpose of receiving an authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law, submit the following to the Central Bank in the form and in accordance with the procedure prescribed by normative legal acts of the Central Bank:

   (1) application for receiving an authorisation for providing the respective service (services);

   (2) amendments to the charter, rules of activity and business plan of the manager;

   (3) other documents provided for by the Law of the Republic of Armenia "On funded pension" (where management of pension funds is requested);

   (4) other documents prescribed by normative legal acts of the Central Bank.

   (Article 54 supplemented by HO-141-N of 19 March 2012, amended, supplemented by HO-213-N of 12 November 2012)

Article 55. Decision on registration and licensing of the manager

1. The Central Bank shall adopt a decision on registering and issuing licence to the manager and (or) issuing thereto the authorisation for providing a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law, where all the necessary documents and information provided for by parts 2 and 3 and (or) 5, respectively, of Article 54 have been submitted, and where there are no grounds, prescribed by this Law, for rejecting the registration and licensing of the manager (issuing the authorisation for providing the corresponding service (services)). The existence of grounds for rejecting the

application for receiving authorisation for providing the corresponding service (services) enclosed to the application for registration and licensing of the manager shall not be a ground for rejecting the application for registration and licensing of the manager.

2. The Central Bank shall adopt a decision on registering and licensing the manager (as well as on upholding the application for receiving authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law enclosed to the application for registration and licensing) or rejecting the registration and licensing of the manager (as well as the upholding of the application for receiving authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law enclosed to the application for registration and licensing) within 30 working days from submission of the application by the founders of the manager. The decision on issuing the authorisation to the manager or rejecting the issuance of the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law thereto shall be made by the Central Bank within 20 working days from receipt of the application for receiving the authorisation.

3. The Central Bank shall, within five working days from adopting the decision on registration and licensing of the manager, be obliged to give the certificate of registration and the licence to the manager. The form of the certificate of registration, provided for by this part, shall be prescribed by a normative legal act of the Central Bank.

4. The Central Bank shall, within five working days from making the decision on registering the manager, notify thereof the state authorised body registering legal persons for the latter to make relevant record on registration of the manager.

5. From the moment of its registration with the Central Bank, the manager shall acquire the status of a legal person.

Article 56. Grounds for rejection of registering and licensing the manager

1. The Central bank shall reject the registration and licensing of the manager and (or) issuance of the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law, where:

   (1) the submitted documents fail to comply with this Law, normative legal acts adopted on the basis thereof, or false documents have been submitted, or the submitted documents disclose unreliable information, or the submitted documents contain errors and these errors have not been removed by the person having submitted the application within the time limit prescribed by part 1 of Article 111 of this Law;

   (2) the executives of the manager fail to comply with the requirements for executives prescribed by this Law or normative legal acts of the Central Bank;

   (3) the manager fails to comply with the requirements prescribed by this Law and other legal acts for carrying out activity of a manager;

   (4) charter and (or) rules of activity of the manager contradict the law;

   (5) the Central Bank has rejected at least one of the applications for the preliminary consent for acquiring major shareholding in the capital of the manager;

   (6) the submitted business plan fails to comply with the requirements prescribed by this Law and normative legal acts adopted by the Central Bank based thereon;

(7) in the reasonable opinion of the Central Bank, the business plan is unrealistic or — by acting in accordance with the plan — the manager will not be able to carry out normal fund management activity and (or) successfully provide the requested services;

(8) in the reasonable opinion of the Central Bank, the activity, financial position, negative reputation or absence of expertise in the financial sector of the founders of the managers or persons affiliated thereto might endanger the interests of customers or hinder the normal fund management activity by the manager or proper control by the Central Bank;

(9) the minimum amount of the authorised capital defined by this Law has not been paid;

(10) the manager does not have the necessary premises and (or) technical equipment complying with the requirements prescribed by normative legal acts of the Central Bank;

(11) there are other grounds for rejection provided for by the Law of the Republic of Armenia "On funded pension" (in case of issuing authorisation for management of pension funds).

Article 57. Re-registration and re-licensing of an investment company as a manager

1. An investment company, carrying out management of the package of securities prescribed by point 5 of part 1 of Article 25 of the Law of the Republic of Armenia "On securities market", shall be subject to re-registration and re-licensing as a manager as prescribed by this Law for carrying out fund management activity. The re-registration and re-licensing provided for by this part shall be conducted through a simplified procedure.

2. For the re-registration and re-licensing provided for by part 1 of this Article, an investment company must submit the following to the Central Bank in the form and in accordance with the procedure prescribed by a normative legal act of the Central Bank:

   (1) application for re-registration and re-licensing;

   (2) application for receiving the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law (where the manager will also provide the corresponding service (services) and has not received, as an investment company, a licence therefor);

   (3) licence issued thereto, the application for the revoking thereof based on the types of investment services, which in accordance with this Law may not be performed by the manager (in case of having received a licence for such services);

   (4) business plan of the manager;

   (5) respective amendments to its charter;

   (6) document certifying compliance of its authorised capital with the requirement of the Central Bank for the minimum amount of the authorised capital of a manager;

   (7) receipt of the payment of the state duty;

   (8) other documents provided for by the Law of the Republic of Armenia "On funded pension" (where the manager will also carry out management of pension funds);

   (9) other documents prescribed by normative legal acts of the Central Bank.

3. The Central Bank shall adopt a decision on upholding the submitted application (applications) provided for by points 1, 2 and 3 of part 2 of this Article, where all

the necessary documents envisaged by part 2 of this Article have been submitted, and where there are no grounds, prescribed by part 4 of this Article, for rejecting the respective application (applications). The existence of grounds for rejecting the application for receiving authorisation for providing the respective service (services) enclosed to the application for re-registration and re-licensing shall not be a ground for rejecting the application for re-registration and re-licensing. In case where the application provided for by point 3 of part 2 of this Article is rejected upon a ground prescribed by point 7 of part 4 of this Article, the application of the investment company for being re-registered and re-licensed as a manager shall be subject to rejection.

4. The Central Bank shall reject the application (applications) provided for by part 2 of this Article, where:

(1) the submitted documents fail to comply with this Law, normative legal acts adopted on the basis thereof, or false documents have been submitted, or the submitted documents disclose unreliable information, or the submitted documents contain errors and these errors have not been removed by the person having submitted the application within the time limit prescribed by part 1 of Article 111 of this Law;

(2) the investment company fails to comply with the requirements prescribed by this Law and other legal acts for carrying out activity of a manager;

(3) the respective amendments made to the charter of the investment company contradict the law;

(4) the submitted business plan fails to comply with the requirements prescribed by this Law and normative legal acts adopted by the Central Bank based thereon;

(5) in the reasonable opinion of the Central Bank, the business plan is unrealistic or — by acting in accordance with the plan — the manager will

not be able to carry out normal fund management activity and (or) successfully provide the requested services;

(6) authorised capital of the investment company fails to comply with the minimum amount of the authorised capital prescribed by this Law for a manager;

(7) in the reasonable opinion of the Central Bank, in case of being upheld the submitted application provided for by point 3 of part 2 of this Article might damage the interests of customers;

(8) there are other grounds for rejection provided for by the Law of the Republic of Armenia "On funded pension" (in case of issuing authorisation for management of pension funds).

5. The Central Bank shall adopt a decision on upholding or rejecting the application (applications) provided for by part 2 of this Article within 30 working days from submission of the application by the investment company.

6. The Central Bank shall, within five working days from adopting the decision on re-registration and re-licensing of the investment company as a manager, be obliged to give the certificate of registration and the licence to the manager.

7. The Central Bank shall, within five working days from making the decision on re-registering the investment company as a manager, notify thereof the state authorised body registering legal persons for the latter to make relevant record on re-registration of the investment company as a manager.

8. From the date of being re-registered and re-licensed with the Central Bank, an investment company acquires the status of a manager, and the licence previously issued to the investment company for providing investment services shall be revoked, being subject to return to the Central Bank within three days.

Article 58. Business plan and report thereon

1. The business plan shall be drafted for the forthcoming three years and shall contain the following information:

   (1) internal organisational structure of the manager;

   (2) calculation of income and expenditure;

   (3) long-term financial growth trends;

   (4) description of projected markets for the activity;

   (5) methods for withstanding main competitors and competition;

   (6) management methods and potential risk assessment;

   (7) more detailed description of fund management activity, as well as business forecasts related to the provision of the service (services) provided for by parts 4 and 5 of Article 52 of this Law (where its authorisation has been received as prescribed by this Law);

   (8) the fund (funds), with whom a fund management agreement is planned to be concluded, and (or) type of the fund (funds) (based on the investment policy and mechanism of issuance and buyback of units (shares)) planned to be set up;

   (9) investment policy to be adopted by the manager, directions of investment of the fund assets and risk management system;

   (10) other information prescribed by normative legal acts of the Central Bank.

2. The manager may also include in the business plan information not provided for by part 1 of this Article.

3. In the course of its activity, the manager shall — in the manner, form and within the time limits prescribed by normative legal acts of the Central Bank — submit a report to the Central Bank on the implementation of the business plan

submitted during the registration and licensing processes, as well as on that provided for by part 4 of this Article.

4. The manager shall be obliged to submit to the Central Bank, in the manner, form and within the time limits prescribed by normative legal acts of the Central Bank, the three year business plan and amendments thereto.

Article 59. Revoking of the licence (repealing of the authorisation) and legal consequences thereof

1. The licence (authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law) may be revoked, where:

   (1) the manager failed to carry out fund management activity (failed to provide the respective service) for twelve consecutive months after receiving the licence (authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law), moreover, for the purposes of this point, fund management activity also includes the activity of pension fund management;

   (2) the manager has published or submitted to the Central Bank misleading, unreliable information and false documents (when applying for receiving the licence (authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law);

   (3) the manager or its executives regularly (two and more times) violated the requirements of this Law, other laws, and normative legal acts adopted based thereon;

   (4) the manager has carried out activity not envisaged by Article 52 of this Law;

   (5) the manager has carried out activity which, in the reasonable opinion of the Central Bank, posed a risk to the interests of investors;

(6) the manager failed to fulfil the tasks assigned by the Central Bank pursuant to this Law within the defined time limits and to the defined extent;

(7) prudential standards prescribed by this Law and normative legal acts adopted by the Central Bank based thereon have been violated to the extent defined by normative legal acts of the Central Bank;

(8) in the cases of self-liquidation, acquisition by another manager, insolvency;

(9) other grounds for repealing the authorisation for management of a pension fund provided for by the Law of the Republic of Armenia "On funded pension" are in place.

2. The licence of a branch of foreign manager set up in the territory of the Republic of Armenia shall also be revoked in case where the foreign manager has been deprived of the right to carry out fund management activity in the country of the place of its registration or main activity.

3. The authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law may be repealed based on the application of the manager provided that the lawful interests of customers of the manager (unit holders of the pension fund) are sufficiently protected.

4. The authorisation of a manager for management of a mandatory or voluntary pension fund may be repealed only in the case where the manager, having received the preliminary consent of the Board of the Central Bank on repealing that authorisation, has transferred the management of all the mandatory (voluntary) pension funds under its management to another manager (managers) as prescribed by this Law and has unilaterally withdrawn from the management agreements of those funds. The procedure for receiving the preliminary consent of the Central Bank provided for by this part shall be prescribed by a normative legal act of the Central Bank.

5. The Central Bank may reject the application provided for by part 3 of this Article, where there are sufficient grounds to conclude that repealing the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law might damage the lawful interests of customers of the manager (unit holders of the pension fund), and in case of an application for repealing the authorisation for management of a mandatory or voluntary pension fund, also where under the management of the manager exists a mandatory or voluntary pension fund whose management has not been transferred to another manager, or the management agreement of the respective fund has not been terminated.

6. The Central Bank shall — within 30 working days from receiving the application provided for by part 3 of this Article, as well as the documents and information supporting the repealing of the respective authorisation prescribed by a normative legal act of the Central Bank — make a decision on repealing the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law or on rejecting the application.

7. The decision of the Central Bank on revoking the licence (authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law) upon the grounds prescribed by this Article shall be published immediately. The mentioned decision shall enter into force from the date of its promulgation, unless another date is defined by the decision.

8. From the date of entry into force of the decision of the Central Bank on revoking the licence, the manager shall be deprived of the right to carry out fund management activity and shall be subject to liquidation (except for the case of acquisition by another manager) as prescribed by law.

9. In case where the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law is repealed, the manager

shall be deprived of the right to provide the respective service (services), except for the transactions which were targeted at fulfilment of its liabilities assumed in relation to the provision of that particular service, realisation of the means and their final distribution.

10. In case where the licence (authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law) is revoked, the licence (the decision on issuing the respective authorisation) shall be returned to the Central Bank within three days.

11. A carbon copy of the decision of the Central Bank on revoking the licence (authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law) shall, within three days from being adopted, be provided to the manager, and in case of repealing of the authorisation for management of a mandatory pension fund — also to the registrar of the fund unit holders provided for by the Law of the Republic of Armenia "On funded pension". An appeal lodged with the court against the mentioned decision shall not suspend its effect during the entire process of judicial examination of the case.

Article 60. Registration of a branch and a representative office of a manager operating in the territory of the Republic of Armenia and of a branch and a representative office of a foreign manager to be set up in the territory of the Republic of Armenia and setting up of a branch or a representative office outside the territory of the Republic of Armenia by a manager operating in the territory of the Republic of Armenia

1. A foreign manager may carry out fund management activity in the territory of the Republic of Armenia exclusively through setting up a subsidiary or a branch in the territory of the Republic of Armenia.

2. Relations pertaining to the registration and rejecting the registration of a branch and a representative office in the territory of the Republic of Armenia of a manager and a foreign manager operating in the territory of the Republic of Armenia, as well as to receiving the preliminary consent of the Central Bank and to rejection thereof, when setting up branches and representative offices outside the territory of the Republic of Armenia by a manager operating in the territory of the Republic of Armenia, shall be covered by the respective provisions on investment companies of the Law of the Republic of Armenia "On securities market".

Article 61. Registration of changes

1. Managers as well as branches and representative offices of foreign managers set up in the territory of the Republic of Armenia shall be obliged to submit the following changes, within ten days after such changes occur, to the Central Bank for registration:

   (1) amendments to the charter of the manager or a branch or a representative office of a foreign manager set up in the territory of the Republic of Armenia;

   (2) ***(point repealed by HO-213-N of 12 November 2012)***

   (3) changes in the management personnel (except for the executives of structural subdivisions);

   (4) other changes defined by law or normative legal acts of the Central Bank.

2. The Central Bank shall — within 30 working days from receiving the documents prescribed by normative legal acts of the Central Bank for the registration of the changes provided for by part 1 of this Article — be obliged to register such changes or reject the registration thereof. Moreover, in case, as a result of

registering the changes provided for by point 1 of part 1 of this Article, a need arises for reformulating the licence, the registration certificate and (or) the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law, which are issued to the manager, the Central Bank shall, in case of making a decision on registering such changes, by the same decision also uphold the application for reformulating the licence, the registration certificate and (or) the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law, enclosed to the application for registering the change.

3. The Central bank shall register the changes unless they contradict the laws or other legal acts, and where they have been submitted in compliance with the requirements of normative legal acts of the Central Bank.

4. The procedure for and the form of submitting the changes for registration shall be prescribed by normative legal acts of the Central Bank.

5. The changes provided for by this Law and normative legal acts of the Central Bank shall enter into force from the date of their registration by the Central Bank.

6. The Central Bank shall, within five working days from making a decision on upholding the applications provided for by part 2 of this Article, be obliged to give the manager the reformulated certificate of registration, the licence and (or) the authorisation for providing the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law.

7. The manager shall — in case of changing the amount of the authorised capital thereof — open a cumulative account with the Central Bank or any other commercial bank not affiliated to a manager operating in the territory of the Republic of Armenia. The assets on the cumulative account shall be frozen by the respective bank, and the manager may not possess, use and dispose of those

assets until the registration of the changes with the Central Bank as prescribed by this Article.

8. The registration provided for by part 5 of this Article may, by the decision of the Board of the Central Bank, be declared invalid, where false or unreliable documents or information was submitted to the Central Bank for the purposes of registration of the changes prescribed by this Article or receipt of a professional qualification certificate of the executives of the manager, the branches or representative offices of a foreign manager set up in the territory of the Republic of Armenia or in other cases prescribed by this Law.

9. The changes in the rules of activity of a manager shall, within ten days after such changes occur, be submitted to the Central Bank as prescribed by a normative legal act of the Central Bank for acknowledgement, unless a requirement for their registration is prescribed by a normative legal act of the Central Bank.

(Article 61 amended, supplemented by HO-213-N of 12 November 2012)

CHAPTER 10

MAJOR SHAREHOLDING AND REAL BENEFICIARIES

(title supplemented by HO-258-N of 3 June 2021)

Article 62. Acquiring major shareholding in the authorised capital of a manager

1. Relations pertaining to acquiring major shareholding in the authorised capital of the manager shall be covered by the respective norms on acquiring major shareholding in the authorised capital of an investment company of the Law of the Republic of Armenia "On securities market".

Article 62.1. Real beneficiaries

The relevant provisions of the Law of the Republic of Armenia "On securities market" pertaining to the investment companies shall apply to the relations related to identification of beneficiaries of a branch and a representative office in the territory of the Republic of Armenia of a legal person investment funds, manager and a foreign manager operating within the territory of the Republic of Armenia.

(Article 62.1 supplemented by HO-258-N of 3 June 2021)

CHAPTER 11

MANAGEMENT OF THE MANAGER

Article 63. Board of directors of manager

1. A manager shall be obliged to set up a board of directors (hereinafter referred to as "the board") composed of at least three persons (except for representatives of unit holders of the fund provided for by point 1 of part 1 of Article 49 and point 1 of part 3 of Article 50 of this Law), which shall, in addition to matters reserved by law to the board of a legal person of the given legal and organisational form, enjoy exclusive authority over the following:

   (1) making a decision on establishment and (or) management, as prescribed by this Law, of a fund through submitting a draft fund management agreement to the meeting of founders (founder) of a corporate fund;

   (2) approving the rules of a contractual fund established (managed) by the manager and the amendments and supplements thereto;

(3) adopting the rules of that fund where the manager operates in the capacity of a new manager of the fund;

(4) making a decision on concluding and terminating the custody agreement of a contractual fund established (managed) by the manager, as well as on amending the custody agreement in co-ordination with the custodian;

(5) making decisions on acquisition and termination of a contractual fund managed by the manager;

(6) making a decision on unilateral withdrawal from a fund management agreement in the case prescribed by this Law;

(7) submitting proposals to the meeting of a fund managed by the manager on matters reserved to the authority of a corporate fund meeting by points 5, 6 and 7 of part 1 of Article 49 of this Law;

(8) making a decision, as prescribed by the Law of the Republic of Armenia "On joint stock companies", on proposals submitted as prescribed by that law by a fund unit holder (holders) holding at least two per cent of the fund units (shares) on matters reserved by this Law and (or) the fund rules (charter) to the authority of the meeting of a fund managed by the manager and approving the agenda of the fund meeting;

(9) making decisions on matters reserved by this Law to the exclusive authority of a corporate fund meeting regarding the fund having the legal and organisational form of a limited partnership managed by the manager;

(9.1) approval of the documents regulating the internal activities of the manager (except for the documents regulating the activities of the board of the manager);

(10) exercising other powers provided for by this Law.

2. In case of adoption by the manager of decisions on matters prescribed by points 2, 4 and 5 of part 1 of this Article with regard to a closed-end contractual fund, these decisions must be approved by the fund meeting before submission to the Central Bank of the relevant application for registration (consent) as provided for by this Law, except for the cases provided for by part 6 of Article 50 of this Law.

3. The procedure for formation and activity of the board of the manager shall be prescribed by the charter of the manager. One representative elected from each fund managed by the manager shall also be included in the board of the manager (except for funds whose rules (charter) prescribe that such a representative is not elected, as well as those contractual funds where a fund meeting is not convened), which shall participate in the board meetings with an advisory vote, except where matters relating to the fund, represented by that member of the Board, or concerning the interests thereof are being resolved there. The latter shall participate in such meetings with equal voting right with other full members of the board. The board of the manager may make a decision on restricting the participation of the representatives of fund unit holders provided for by this part in the board meeting (a part thereof), where information comprising a trade secret for the manager may be disclosed therein. Moreover, no decision on matters relating to the given fund or concerning the interests thereof may be made in the absence of the respective representatives of fund unit holders in the board of the manager, where such absence is conditioned by the decision of the board on imposing restriction on participation provided for by this part. Remuneration of the representatives of fund unit holders provided for by this part shall be provided from the means of the respective fund on terms prescribed by the fund meeting.

(Article 63 supplemented by HO-72-N of 1 March 2017)

Article 64. Internal audit

1. A manager shall be obliged to have a relevant system of internal supervision which includes all levels of activity of fund management.

2. A manager shall be obliged to have an internal audit subdivision (hereinafter referred to as "the internal audit") independent from other operational subdivisions thereof, to appoint employees independent from operational subdivisions and employees thereof or to delegate the internal audit functions to an independent auditor by an agreement. The head and the members of the internal audit (hereinafter referred to as "the internal auditors") must meet the requirements for executives of the manager prescribed by this Law. The internal auditor may not be a member of the governance body, another executive and an employee of the manager, as well as a person affiliated to the executives or other employees of the manager.

   This part shall not restrict the performance of the internal audit function by an internal auditor from a financial institution which, in accordance with the Law of the Republic of Armenia "On securities market", belongs to the same group as the manager.

3. Internal auditors shall be appointed by the board of the manager. The internal audit must have the possibility to ensure an efficient system of internal supervision. To this end, requirements for the minimum number of internal auditors may be prescribed by a normative legal act of the Central Bank depending on the number of funds managed by the manager concerned and (or) the size of portfolio thereof.

4. While exercising its authority, the internal audit shall be independent and shall report to the board.

5. Only a person with the professional qualification prescribed by this Law may be an internal auditor.

6. Pursuant to the regulation approved by the Board, the internal audit shall:

   (1) exercise supervision over current activity and risks of the manager;

   (2) verify the compliance of activity of the manager with the requirements prescribed by law, normative legal acts adopted on the basis thereof, rules of the regulated market, rules of operation of the company and other legal acts;

   (3) provide opinions and submit recommendations on matters submitted by the competent governance body and on other matters.

7. Matters pertaining to the authority of the internal audit may not be delegated to the governance bodies of the manager or other persons for resolution.

8. Each year the board shall approve the annual plan of internal audit, which shall cover at least the following:

   (1) fields in which audit must be performed;

   (2) description of the content of audit monitoring in individual fields.

9. The executive body of the manager shall be obliged to provide sufficient conditions for effective exercise of internal audit authority.

10. The internal audit shall be obliged to inform the board, the executive body of the manager and the Central Bank of any violation by the manager of requirements prescribed by law, other legal acts, as well as of any substantial damage caused to the interests of unit holders and (or) clients of the fund within 5 working days upon detection thereof.

11. An audit committee shall not be set up with the manager.

(Article 64 edited, supplemented by HO-68-N of 21 June 2014)

Article 65. Requirements for executives of manager and to persons performing fund management activity on behalf of or as part of the manager

1. Executives of the manager shall be the chairperson and the members of the board of the manager, the chief executive officer or the head and the members of the executive body, the deputy chief executive officer, the chief accountant and their deputy, the head and members of the internal audit, as well as the executives of the regional and structural subdivisions.

2. A person may not be a head of the manager, may not perform fund management activity on behalf of or as part of the manager, as well as may not issue a proposal for performing such activity, where they:

   (1) have been declared as prescribed by law as incapacitated or having limited capacity;

   (2) lack relevant professional qualification prescribed by this Law;

   (3) have a record of unquashed conviction for an intentional crime;

   (4) have been deprived, upon criminal judgement entered into force, of the right to hold positions in financial, economic, legal spheres;

   (5) have been declared bankrupt or have overdue liabilities;

   (6) previously but no earlier than three years ago have been deprived of the professional qualification prescribed by this Law or the Law of the Republic of Armenia "On securities market";

   (7) in the past have committed an act (action or omission), which, in the opinion of the Central Bank, supported by the guidelines prescribed by normative legal acts of the Central Bank, suggests that the person concerned, functioning as the head of the manager or as a person performing fund management activity on behalf of or as part of the

manager, is not capable of duly managing the relevant sector of activity of the manager, or their actions may result in bankruptcy or in deterioration of financial position of the manager or in damage to its goodwill and business reputation.

3. The chairperson or a member of the board of the manager may not simultaneously be a member of the executive body or another employee of the given manager, as well as the chairperson or a member of the board, a member of the executive body or another employee of another manager or another person providing investment service, except where one of the managers (another person providing investment service) is the subsidiary of the other manager.

4. The chief executive officer or the head and members of the executive body, the deputy chief executive officer, the head and members of the internal audit of the manager may not hold another position with the same manager or be a head (except for the chairperson and a member of the board of a subsidiary or a principal company, as well as in the case provided for by part 2 of Article 64 of this Law) or another employee at another manager or another person providing investment service. The head or a member of the executive body or the deputy chief executive officer of the manager may perform fund management activity of the same manager. Persons mentioned in this part may, in addition to scientific, pedagogical and creative work, perform other paid work only upon consent of the board. Other restrictions on combining positions may be provided for, aimed at prevention of potential conflicts of interest and other risks, for executives and (or) other employees of the manager by a normative legal act of the Central Bank.

5. A person performing fund management activity on behalf of or as part the manager shall be prohibited to perform the fund management activity prescribed by this Law as part of or on behalf of another manager, as well as to provide investment services prescribed by points 1 to 5 of part 1 of Article 25 of the Law

of the Republic of Armenia "On securities market" as part of or on behalf of the person providing investment service. Violation of this requirement shall be a ground for depriving the person of professional qualification.

6. Heads and employees of the manager shall, when exercising their duties, be obliged to act in the interests of fund unit holders, to exercise their rights and perform their duties towards fund unit holders in good faith and in a reasonable manner, with due diligence (fiduciary duty).

(Article 65 supplemented, amended by HO-68-N of 21 June 2014, edited by HO-72-N of 1 March 2017, amended by HO-219-N of 9 June 2022)

Article 66. Professional qualification

1. Qualification procedure and professional competence criteria for executives of the manager, natural persons performing fund management activity on behalf of or as part of the manager shall be covered by normative legal acts of the Central Bank prescribing the qualification procedure and professional competence criteria for executives of a person providing investment services, natural persons providing service of management of a securities portfolio as part of or on behalf of a person providing investment services, unless another procedure and (or) additional criteria have been prescribed for them by a normative legal act of the Central Bank.

2. The professional qualification prescribed by this Article shall be granted for a period no less than a year.

3. The manager shall, for each fund (sub-fund) managed thereby, be obliged to permanently employ at least one person not deemed to be a head of the manager, having professional qualification for fund management prescribed by this Law. The same person performing fund management activity as part of or on behalf of the manager may simultaneously manage more than one fund managed by the manager concerned.

4. Where the manager also performs management of pension funds prescribed by the Law of the Republic of Armenia "On funded pension", requirements for qualification of persons prescribed by that law shall also apply thereto.

(Article 66 supplemented by HO-68-N of 21 June 2014)

CHAPTER 12

REQUIREMENTS FOR ACTIVITY OF MANAGER

Article 67. Prudential standards for activity of the manager

1. The Central Bank shall, by its normative legal act, set the minimum size of the authorised capital of the manager.

2. The minimum size of the total capital of the manager shall be set by a normative legal act of the Central Bank depending on the size of the portfolio managed by the manager.

3. The requirement prescribed by part 2 of this Article shall be deemed complied with by the manager, where the latter has guarantees provided by a bank or an insurance company equivalent to the amount of the difference between the minimum size of the total capital as set by a normative legal act of the Central Bank and the total available capital of the manager. The difference may not exceed 50 per cent of the minimum size of the total capital set by a normative legal act of the Central Bank.

4. The manager shall be obliged to have, in each fund managed thereby, a holding equal to at least the value set by a normative legal act of the Central Bank. The requirement provided for by this part for required minimum holding of the manager shall apply within three years upon establishment of the given fund. In

case of delegation of fund management by the manager to another manager, the procedure for termination of holding of the manager in the given fund, including the date of termination, may be established by a normative legal act of the Central Bank.

5. With the view to protecting rights of investors, other prudential standards, including those of temporary effect, for operation of the manager may be prescribed by a normative legal act of the Central Bank. Moreover, in cases prescribed by a normative legal act of the Central Bank individual prudential standards need not apply to newly established managers within a year upon establishment, or other prudential standards or their minimum sizes may be set for them.

6. Where the manager also performs management of a securities portfolio prescribed by the Law of the Republic of Armenia "On securities market" and (or) management of pension funds prescribed by the Law of the Republic of Armenia "On funded pension", stricter main prudential standards provided for by those laws shall apply thereto.

7. When calculating the limit set by part 2 of this Article, the managed portfolio shall include as follows:

   (1) contractual funds managed by the manager, including those portfolios the management function whereof is delegated to another manager, and except for those portfolios the management whereof is delegated by other managers to the given manager;

   (2) corporate funds, whereto the given manager is appointed a manager;

   (3) non-public funds managed by the manager, including those portfolios the management function whereof is delegated to another manager, and except for portfolios, the management whereof is delegated by other managers to the given manager.

7.1. The procedure for calculation of prudential standards for the manager prescribed by this Law and a normative legal act of the Central Bank based thereon shall be prescribed by a normative legal act of the Central Bank.

8. In case the manager violates the prudential standards prescribed by this Law and a normative legal act of the Central Bank based thereon, the manager shall be obliged to inform thereof the Central Bank within three working days and undertake measures to remedy the violation within the shortest period possible.

(Article 67 supplemented by HO-213-N of 21 November 2012)

Article 68. Duties of a manager

1. The manager shall be obliged to:

(1) act, when performing duties thereof, in the interests of fund unit holders and the clients thereof, exercise the rights and perform the duties to fund unit holders and the clients thereof in good faith and in a reasonable manner, with due diligence (fiduciary duty);

(2) abstain from concluding transactions deemed to be an object of conflict of interest between itself and fund unit holders or the clients thereof and, where impossible, give preference to the interests of fund unit holders and of a client;

(3) during operation thereof take sufficient measures for preventing potential conflict of interest between itself and the fund unit holders and clients, as well as between various clients thereof, clients thereof and the funds managed thereby and various funds, and where impossible, undertake necessary measures to reduce them;

(4) introduce effective organisational and administrative measures for preventing conflicts of interest related to drafting and dissemination of investment proposals thereby;

(5) invest the assets of a client in units or shares of the fund managed thereby solely upon prior written consent of the client;

(6) adhere to the rules of operation thereof, which shall include:

a. types of provided services (performed operations), procedure for and conditions of their provision;

a.1. measures for prevention of conflicts of interest;

b. procedure for circulation of documents, electronic processing and storage of data, exchange of information concerning performance of fund management activity by the manager;

c. rules on performing internal audit;

d. rules on business ethics;

e. other procedures prescribed by normative legal acts of the Central Bank;

(7) in case of provision of investment services provided for by this Law, respect other duties prescribed by the Law of the Republic of Armenia "On securities market" for persons providing investment services.

2. The Central Bank may by normative legal acts thereof prescribe detailed requirements for the content of rules of operation of the manager.

3. The manager shall be held liable for damages caused — as a result of the actions or omission thereof (including lost profit) — to the fund or the unit holders thereof, except for cases when the manager acted within the scope of fiduciary duties thereof. Moreover, lower profitability of the fund as compared to the profitability of other similar funds may not, in and of itself, on the ground of improper performance of the duties by the manager of the given fund, give rise to compensation liability provided for by this part.

4. The custodian of the given fund may directly or indirectly claim for compensation of the damage caused to the fund or the unit holders thereof.

5. ***(Part repealed by HO-72-N of 1 March 2017)***

6. Where the requirements prescribed by the law and the normative legal acts adopted on the basis thereof have been violated, as a result whereof damage was caused to the fund and the fund unit holders, the manager shall — within the time limits prescribed by the decision of the Central Bank on violation — be obliged to determine the amount of damage caused to each holder (fund), and the holders which have incurred damages shall — in the manner and within the time limit prescribed by the decision — be notified on the damages incurred, the amount thereof and the procedure for and the time limit of receiving compensation for the damage.

7. The manager must determine the amount of damage incurred based on all the property damage, including the lost benefit compared to the situation which would have been, if the violation had not occurred and the assets related to the violation had been managed in the similar manner as the other assets.

8. Compensation by the manager for the damage caused to unit holders of a contractual fund shall be performed through allocation of a corresponding number of fund shares to respective fund unit holders or cash payment paid to the fund at the expense of the manager. Compensation for the damage caused to persons not deemed to be unit holders of the given fund at the moment of payment of compensation shall be carried out through payment of a corresponding sum, except for unit holders of a funded pension component, for which units of a mandatory pension fund they have selected shall be acquired. The procedure for and conditions of compensation provided for by this part may be prescribed by a normative legal act of the Central Bank, including the criteria for choosing the method of compensation.

9. This Article shall not restrict the submission of claims for compensating damages caused on other grounds prescribed by law.

(Article 68 edited, supplemented by HO-231-N of 12 November 2012, amended, supplemented by HO-72-N of 1 March 2017)

Article 69. Separation of assets

1. The manager shall be obliged to perform separated management and separated record keeping of its own assets, assets and securities portfolio of each contractual fund managed thereby, as well as assets of various sub-funds.

2. The manager shall use the assets of the fund managed thereby exclusively for carrying out transactions related to management of that fund, concluded as prescribed by Article 10 of this Law, as well as for making payments and incurring expenses provided for by Article 17 of this Law and may not use those assets for the benefit thereof or to the benefit of any other person.

3. The assets of the fund managed by the manager may not be forfeited to fulfil the liabilities of the manager except for those assumed under transactions relating to management of the contractual fund, concluded as prescribed by Article 10 of this Law. For personal debts of the manager of a fund established in the legal and organisational form of a limited partnership, the share of the fund manager in the fund assets shall be forfeited on the grounds of and as prescribed by the Civil Code of the Republic of Armenia.

4. The Central Bank may by normative legal acts thereof prescribe necessary and mandatory rules for ensuring protection of the rights of fund unit holders provided for by this Article.

Article 70. Delegation and transfer of functions

1. The manager may delegate a part of fund management functions (except for the function of management of investments made in the Republic of Armenia by a mandatory pension fund) to a third party (hereinafter referred to as "counterparty") for the purpose of more efficient management, where such possibility is provided for by fund rules (charter). In that case the manager shall continue to bear responsibility for performing the delegated functions properly and in good faith.

2. The function of investment management may be delegated solely to a person not affiliated with the custodian of the given fund, which has received as prescribed by this Law a licence for management of the fund, as well as to a bank or investment company, not affiliated to the custodian of the given fund, which in accordance with law has the right to manage a securities portfolio.

3. Arrangement of issuance and buyback (repayment) of units or shares may also be delegated to the Central Depository.

4. The function of maintaining the register of unit holders of closed-end and interval funds shall be subject to mandatory transfer to the Central Depository. Moreover, the manager having transferred to the Central Depository the function of maintaining the register shall be relieved of the prescribed responsibility for maintenance thereof.

5. An agreement on delegation of management functions shall include at least as follows:

   (1) the specific scope of delegated functions;

   (2) unreserved and irrevocable consent of the counterparty (except for non-resident counterparty) to being subjected to the control by the manager, audit thereby and by the Central Bank and to provide information relating thereto;

(2.1) consent of non-resident counterparty on control by the manager over the implementation of the functions delegated thereto, including audit thereof and on provision of the required information to the manager on the functions delegated in case of the relevant request of the Central Bank;

(3) liability of the counterparty for failure to perform or improper performance of delegated functions;

(4) detailed description of criteria for performance of functions by the counterparty in good faith;

(5) procedure for and conditions of control by the manager over performance of functions delegated to the counterparty;

(6) procedure for amendment and termination of the contract, which must comply with the provisions prescribed by parts 12 and 13 of this Article.

6. The manager shall, for the purpose of delegating management functions, be obliged to obtain in advance the consent of the Central Bank by submitting the copy of the agreement on delegation of functions.

7. The scope of documents necessary for obtaining the prior consent provided for by part 6 of this Article and procedure for submission thereof, as well as the procedure for and conditions of the prior consent by the Central Bank for conclusion of an agreement on delegation of management functions shall be prescribed by normative legal acts of the Central Bank.

8. The Central Bank may refuse to give the consent provided for by part 6 of this Article where the documents required by the normative legal act of the Central Bank have not been submitted within the time limits prescribed by the Central Bank, or they do not meet the requirements set forth by this Law or other laws, or as a result of transfer to another person all or part of functions subject to delegation by a relevant agreement in the reasonable opinion of the Central Bank:

(1) the legitimate interests of the fund unit holders may be jeopardised (inter alia because of lack of sufficient organisational, technical, financial resources, and capacity for proper performance of delegated functions by the counterparty), or conflict of interest may arise between a third party and the manager, the fund or unit holders of the fund;

(2) exercise of proper control over the manager and (or) custodian will become impossible;

(3) exercise of constant and efficient control over proper performance of functions delegated by the manager or giving further instructions in connection with management of fund assets to the person having been delegated with performance of functions will become impossible;

(4) a situation is created in which the manager fails to carry out the fund management as such.

9. The maximum amount of assets of the fund (sub-fund), the investment management function with regard whereto may be delegated to a third party (parties) shall be set by a normative legal act of the Central Bank.

10. The prospectus of the fund (rules (charter) of an open-end fund) must prescribe the list of the management functions that may be delegated to a third party.

11. The provisions, prescribed by this Law, on exercise of control over the manager and on holding it liable shall also apply to counterparties with regard to performance of delegated functions.

12. Where the manager finds out that the actions of the counterparty are violating or may violate the requirements of this Law, of legal acts adopted based thereon or of the agreement on delegation of management functions, it shall be obliged to require from the counterparty to immediately remedy the violation. Where the counterparty — upon the submission of the mentioned request by the manager — fails to remedy the violation within reasonable time limits prescribed by the

manager, the manager may unilaterally terminate the agreement on delegation of management functions.

13. The termination of the agreement on delegation of management functions provided for by part 12 of this Article may also be requested by the Central Bank, where the counterparty has violated this Law and other legal acts adopted on the basis thereof, which may jeopardise the legitimate interests of fund unit holders. The request of the Central Bank shall be binding on the parties and must be fulfilled within reasonable time limits and in the manner prescribed by the Central Bank.

(Article 70 amended by HO-68-N of 21 June 2014, supplemented by HO-72-N of 1 March 2017)

Article 71. Transfer of fund management to another manager

1. A manager (a transferring manager) may transfer to another manager (accepting manager) the management of the fund managed thereby solely in case of approval by the fund meeting (where available) of the agreement on transfer of the fund management and in case of prior consent given by the Board of the Central Bank as prescribed by this Law and normative legal acts of the Central Bank. The mentioned right of the manager and the procedure for exercising it shall be prescribed by the fund management agreement (rules of the fund). Transfer to another manager of the management of the fund having the legal and organisational form of a limited partnership shall be performed through transferring by the manager to another manager the share thereof in the fund assets and through concluding with the latter the agreement provided for by part 2 of this Article.

2. Transferring and accepting managers shall, for transfer of fund management, conclude an agreement on transfer of fund management, which shall prescribe

the rights and duties of the parties. It may not contain provisions, which violate or may violate the rights and legitimate interests of unit holders of the fund.

3. Prior to the conclusion of the agreement provided for by part 2 of this Article, it shall be approved by the boards of the transferring and accepting managers. Where the transferring manager is under the management of temporary administration or in liquidation process, the agreement on transfer shall be signed by the head of administration or liquidator or chairperson of liquidation committee.

4. The agreement on transfer of fund management shall enter into force within the time limit referred to in that agreement but no earlier than the day when the Central Bank gives the prior consent provided for by this Article.

5. The accepting manager shall, from the moment of entry into force of the agreement on transfer of fund management, become a party to the agreement on management of the relevant fund with the status of a manager of the given fund, and all rights and duties of the transferring manager arising from that agreement shall be transferred thereto.

6. For receiving the prior consent of the Central Bank for transfer of fund management, the transferring and accepting managers shall, in the form and in accordance with the procedure prescribed by normative legal acts of the Central Bank, jointly submit to the Central Bank the following documents and information:

   (1) application for consent to transfer fund management;

   (2) concluded agreement on transfer of fund management;

   (3) decision of the fund meeting (where available) on approval of the fund management agreement;

(4) calculation of the main prudential standards, prescribed by this Law, for the transferring and accepting managers;

(5) amendments conditioned by transfer of fund management made to business plans of the transferring and accepting managers;

(6) other information prescribed by a normative legal act of the Central Bank.

7. The Central Bank shall, within 30 working days from the date of submission of all necessary documents and information provided for by part 6 of this Article, make a decision on giving consent to or rejecting the application on transfer of fund management.

8. The Central Bank shall, by the decision on giving consent to transfer fund management, also register the corresponding changes made in the fund management agreement (rules of the fund), which shall enter into force from the date of entry into force of the agreement on transfer of fund management.

9. The Central Bank shall reject the application on giving consent to transfer of fund management, if:

(1) the submitted documents or information fail to comply with the requirements prescribed by this Law or normative legal acts of the Central Bank, or false documents have been submitted, or the submitted documents disclose unreliable information, or the submitted documents contain errors, which have not been removed within the time limit prescribed by part 1 of Article 111 of this Law;

(2) transfer of fund management, in the reasonable opinion of the Central Bank, jeopardises or may jeopardise the rights or legitimate interests of fund unit holders;

(3) transfer of fund management, in the reasonable opinion of the Central Bank, may cause deterioration of financial position of the transferring or the accepting manager;

(4) in case of transfer of fund management, in the reasonable opinion of the Central Bank, the accepting company will not fulfil the requirements prescribed by this Law or normative legal acts of the Central Bank;

(5) amendments made to the business plans do not comply with the requirements prescribed by this Law and normative legal acts adopted on the basis thereof by the Central Bank, or in the reasonable opinion of the Central Bank the amended business plan is infeasible, or by acting in accordance therewith, the manager may not perform normal operation of fund management;

(6) transfer of fund management may, in the reasonable opinion of the Central Bank, result in limiting the economic competition.

10. The accepting manager shall, within five days upon receipt of the decision of the Central Bank on giving consent to transfer of fund management, be obliged to publish an announcement thereon in press with print run of at least 3 000 copies being circulated throughout the republic, through electronic mass media accessible throughout the territory of the Republic of Armenia and on the home page of the website thereof.

11. In case of transfer of management of a fund that has a fund meeting, the right of unit holders of the respective fund prescribed by part 12 of this Article must also be mentioned in the announcement provided for by part 10 of this Article.

12. Those unit holders of the fund that has a fund meeting, which have voted at the fund meeting against the transfer of fund management or have not participated in voting on that issue shall be entitled to make a claim on buyback of their shares (units) as prescribed by the Law of the Republic of Armenia "On joint stock companies", unless otherwise regulated by this Law. In case of claim on buyback of shares, the peculiarities of a contractual fund shall also be considered.

13. In case where the agreement on transfer of fund management is not approved by the fund meeting, the manager may withdraw from the fund management agreement, where the legitimate interests of fund unit holders are secured and where the prior consent of the Central Bank has been obtained as prescribed by normative legal acts of the Central Bank.

14. The prior consent of the Central Bank provided for by this Article shall not be required for transfer of management of a qualified investment fund and for withdrawal, in the case provided for by this Article, by the manager from the agreement on management of the qualified investment fund.

15. The management of a mandatory pension fund may be transferred to another manager solely in case the licence of the manager of that fund is revoked (authorisation for management of the mandatory pension fund is repealed), as well as in case of receiving the prior consent of the Central Bank for self-liquidation (repealing the authorisation of the management of mandatory pension fund). The peculiarities of transfer of the management of a mandatory pension fund shall be prescribed by the Law of the Republic of Armenia "On funded pension".

CHAPTER 13

REORGANISATION AND LIQUIDATION OF THE MANAGER

Article 72. Reorganisation of a manager

1. A manager may be reorganised exclusively through acquisition by another manager or through restructuring.

2. Reorganisation of a manager shall be performed as prescribed by the Civil Code of the Republic of Armenia, this Law and other laws.

Article 73. Procedure for acquisition

1. In case of acquisition of one or more managers by another manager, the managers concerned shall conclude an acquisition agreement upon obtaining the prior consent of the Central Bank.

2. The manager (managers) shall, for obtaining the consent for conclusion of the acquisition agreement, submit to the Central Bank in the form, manner and within the time limits prescribed by the Central Bank:

   (1) application for obtaining the prior consent for acquisition;

   (2) decision of the respective governance bodies of the reorganised managers on the acquisition;

   (3) essential conditions of the transaction;

   (4) business plan for upcoming three years of the manager surviving the acquisition;

   (5) information on persons, wherein the surviving manager and the affiliated persons thereto will acquire holding. Moreover, together with an application on obtaining prior consent for acquisition, the surviving manager must, as prescribed by this Law and normative legal acts of the Central Bank, also submit an application on obtaining prior consent for acquiring, prescribed by law, a holding in other persons as well as other required documents;

   (6) information on persons which will acquire major shareholding in the surviving manager. Moreover, together with an application on obtaining prior consent for acquisition, the surviving manager must, as prescribed by

this Law and normative legal acts of the Central Bank, also submit the application of a person and the affiliated person thereto acquiring major shareholding in the authorised capital thereof on obtaining prior consent for acquiring major shareholding as well as other required documents;

(7) other information prescribed by normative legal acts of the Central Bank.

3. The Board of the Central Bank shall, within one month upon receipt of the required documents and information referred to in part 2 of this Article, make a decision on giving or refusing to give the consent provided for by part 1 of this Article.

4. The Board of the Central Bank need not give the consent for conclusion of an acquisition agreement, where:

(1) the acquisition of a manager (managers) or the submitted documents contradict the laws or other legal acts (in particular, the surviving manager having or having acquired the right to manage a pension fund will not comply with the requirements prescribed by the Law of the Republic of Armenia "On funded pension" as a result of the acquisition), or false documents have been submitted, or the submitted documents disclose unreliable information, or the submitted documents contain errors, which have not been removed within the time limits prescribed by the Central Bank;

(2) financial position of the manager surviving the acquisition will, in the reasonable opinion of the Central Bank, deteriorate or it will violate the requirements prescribed by this Law or normative legal acts of the Central Bank;

(3) as a result of the acquisition the manager or a person having major shareholding in the manager or affiliated person thereto will, in the reasonable opinion of the Central Bank, acquire a dominant or monopoly position in the securities market;

(4) interests of unit holders of the fund managed by any party or of clients of any party will, in the reasonable opinion of the Central Bank, be jeopardised;

(5) the Central Bank has rejected at least one of applications on giving the prior consent referred to in points 5 or 6 of part 2 of this Article;

(6) submitted business plan does not comply with the requirements prescribed by this Law and normative legal acts of the Central Bank adopted on the basis thereof, or in the reasonable opinion of the Central Bank it is infeasible, or by acting in accordance with the plan the surviving manager may not perform the normal operation of fund management.

5. Within one month upon receipt of the prior consent of the Central Bank, the managers involved in acquisition shall attach to the application and submit for approval to the Board of the Central Bank the acquisition agreement and other documents and information prescribed by normative legal acts of the Central Bank. The Board of the Central Bank shall approve the acquisition agreement within 15 days upon the receipt thereof, where the agreement complies with the conditions of the prior consent received.

Article 74. Legal implications of acquisition

1. Managers having taken a decision on acquisition shall, within the time limits prescribed by the acquisition agreement, implement the measures provided for by the acquisition agreement, approve the certificate of ownership and merger and, together with the charter or amendments and supplements to the charter of the surviving manager, submit it to the Central Bank for registration as prescribed by this Law and normative legal acts of the Central Bank. An application for reformulating the decision on authorisation for providing the service (services) envisaged by part 3 and (or) 4 or parts 4 and 5 of Article 52 of

this Law, which the manager (managers) involved in acquisition has received, but which is not available with the surviving manager, shall also be submitted to the Central Bank.

2. From the date of registration by the Central Bank of the charter or of amendments and supplements to the charter of the surviving manager, a record shall be made in the registry of the managers with regard to terminating the operation of the manager (managers) involved in acquisition. A surviving manager shall be deemed to be reorganised from the date when the record, referred to in this part, has been made.

Article 75. Acquisition notification

1. Managers involved in acquisition shall, within three days from the date of receipt of prior consent by the Central Bank for conclusion of an acquisition agreement, be obliged to publish an announcement thereon as prescribed by the Central Bank on their websites and in the press with print run of at least 3 000 copies being circulated throughout the republic.

Article 76. Restructuring of a manager

1. A manager having the legal and organisational form of a joint stock company may be restructured exclusively into a limited liability company.

2. A manager having the legal and organisational form of a limited liability company may be restructured exclusively into a joint stock company.

Article 77. Grounds for liquidation of a manager

1. A manager shall be liquidated:

(1) upon decision of the general meeting of unit holders of the manager (self-liquidation);

(2) in case the licence is revoked as prescribed by Article 59 of this Law;

(3) in case of bankruptcy of the manager.

Article 78. Liquidation of a manager upon decision of general meeting of unit holders (self-liquidation)

1. The general meeting of unit holders of the manager shall be entitled to make a decision on liquidation of the manager, where the manager has fulfilled all the obligations arising from the fund management agreement and the agreement on provision of services provided for by parts 4 and 5 of Article 52 of this Law and the manager possesses sufficient means for satisfying claims of all other creditors.

2. In case of liquidation of the manager upon decision of the general meeting, the general meeting shall make a decision on applying to the Central bank for obtaining prior consent. The manager shall, based on that decision, file to the Central Bank an application for obtaining prior consent on liquidation by attaching thereto documents and information substantiating the liquidation, the list of which shall be prescribed by normative legal acts of the Central Bank.

3. The Board of the Central Bank shall within 90 days consider the application for obtaining prior consent on liquidation of the manager and shall make a decision on approving or rejecting the application.

4. The Board of the Central Bank may reject the application for obtaining prior consent on liquidation of the manager, where liquidation may, in the reasonable opinion of the Board of the Central Bank, jeopardise the rights and legitimate interests of unit holders of the fund managed by the manager and (or) clients of the manager or the manager will not be able to duly fulfil obligations thereof.

5. In case the Board of the Central Bank gives prior consent to the manager for liquidation, the manager shall as prescribed by this Law take measures for transferring to another manager (managers) the management of all funds managed thereby or for unilaterally withdrawing from fund management agreements, as well as for duly performing all its duties arising from agreements concluded with the clients thereof on provision of the services provided for by parts 4 and 5 of Article 52 of this Law.

6. Only the general meeting may make a decision on liquidation upon transfer of the management of all funds managed by the manager to another manager (managers) or unilateral withdrawal from fund management agreements and upon duly fulfilment of all the obligations thereof arising from agreements concluded with the clients thereof on provision of the services provided for by parts 4 and 5 of Article 52 of this Law.

7. The manager shall, upon making a decision on liquidation, within a three-day period submit to the Central Bank an application for receiving authorisation for liquidation, attaching documents and information substantiating the liquidation, the list of which shall be prescribed by normative legal acts of the Central Bank.

8. The Board of the Central Bank shall within 30 working days consider the application on receiving authorisation on liquidation of the manager and make a decision on approving or rejecting the application.

9. The Board of the Central Bank shall have the right to reject the application on receiving authorisation, where there is a fund under management of the manager the management whereof has not been transferred to another manager or the corresponding fund management agreement has not been terminated yet, and (or) there are obligations arising from provision of the services provided for by parts 4 and 5 of Article 52 of this Law and (or) the manager will not able to satisfy the claims of other creditors thereof.

10. The Board of the Central Bank shall, in case of giving consent to liquidation, also make a decision on revoking the fund management licence of the manager as well as the decision on granting authorisation (where the manager has obtained such authorisation) for provision of a service (services) provided for by parts 3 and (or) 4 or 4 and 5 of Article 52 of this Law.

Article 79. Liquidation committee of the manager

1. Liquidation committee of the manager shall be established within a five-day period upon adoption of the decision of the Central Bank on granting authorisation for liquidation of the manager.

2. Liquidation committee shall be established for the purpose of liquidation of the manager, sale of its property (funds) and satisfaction of legitimate claims of creditors.

3. Liquidation committee shall be composed of at least three members. Only persons having received professional qualification prescribed by this Law may be a chairperson and a member of a liquidation committee.

4. The powers of a liquidation committee shall prior to the formation thereof be exercised by the executive body of the given manager, unless otherwise provided for by the charter of the manager.

5. Management powers of a manager being liquidated shall pass to the liquidation committee from the date of the establishment thereof.

6. Liquidation committee shall, within five days from the date of its establishment, place an announcement in the press with print run of at least 3 000 copies being circulated throughout the republic and notify the Central Bank of liquidation of the manager and of the procedure and the time limit, no less than 60 calendar days, for creditors to make claims.

7. Where liquidation committee is not established, liquidation committee of a manager shall be established upon decision of the Board of the Central Bank.

Article 80. Procedure for liquidation of manager

1. Governance bodies of the manager shall, within a three-day period upon establishment of a liquidation committee, be obliged to hand over the seal, templates, documents, material and other valuables of the manager.

2. The chairperson of a liquidation committee shall, within a three-day period from the date of establishment of the liquidation committee, apply to the state authorised body for having the words "manager of an investment fund under liquidation" included in the trade name of the manager under liquidation. The state authorised body shall, within three working days upon receipt of the application, make an amendment to the trade name of the manager under liquidating by including the words "manager of an investment fund under liquidation".

3. Liquidation committee shall, as prescribed by part 2 of this Article, within 15 days upon making an amendment to the trade name of the manager under liquidation, be obliged to change the seal, templates of the manager under liquidation by including the words "a manager of an investment fund under liquidation".

4. Liquidation committee shall, before starting to satisfy the claims of creditors:

   (1) accrue and assess the assets and liabilities of the manager under liquidation;

   (2) undertake measures necessary for identifying all the creditors of the manager and for obtaining the accounts receivable of the manager;

(3) undertake measures for realising the assets of the manager under liquidation in the most profitable way;

(4) undertake measures for ensuring the fulfilment of liabilities towards the manager under liquidation;

(5) determine the procedure for the distribution among the fund unit holders of the assets remaining after the fulfilment of liabilities of the manager.

5. Liquidation committee shall — within a seven-day period upon expiration of the time limit for creditors to make claims — draw up, confirm and publish in the press with print run of at least 3 000 copies being circulated throughout the republic an interim liquidation balance sheet, which shall contain the following information:

(1) property assets of the manager under liquidation;

(2) list of claims made by creditors, including total sum of claims reflected in the balance sheet of the manager or made to the manager, the size of the sum payable to each creditor and priority order of satisfying the claims prescribed by this Law, as well as separate list of claims rejected thereby;

(3) results of consideration of the claims made by creditors;

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

6. Liquidation committee shall on the day of publication be obliged to submit to the Central Bank one copy of the newspaper where the interim liquidation balance sheet has been published. The Central Bank shall be entitled to oblige the committee to publish the interim liquidation balance sheet in the press with print run of at least 3 000 copies being circulated throughout the republic.

7. Liquidation committee shall satisfy the claims of creditors in the priority order prescribed by Article 81 of this Law, in compliance with the interim liquidation balance sheet, starting from the date of publication thereof.

(Article 80 amended by HO-73-N of 19 March 2012)

Article 81. Priority order of satisfying claims

1. Liabilities backed by collateral shall, out of turn, be satisfied from the amount received from realising the collateral that is securing cover asset of the respective liability. Where the value of the liability is greater than the value of realising the collateral that is securing cover asset of the respective liability, the remainder of the liability not backed by collateral shall be satisfied along with liabilities towards other creditors.

2. The liabilities of the manager shall be paid from liquidation assets in the following priority order:

   (1) first, necessary and substantiated expenses by the liquidation committee for exercising the powers prescribed by this Law, including the salary of the chairperson and members of liquidation committee and payments equivalent thereto;

   (2) second, claims arising from agreements on fund management and on provision of the services provided for by parts 4 and 5 of Article 52 of this Law;

   (3) third, claims not covered by first, second, fourth, fifth and sixth priority orders;

   (4) fourth, liabilities of the manager towards the state and community budgets;

   (5) fifth, claims arising from subordinated borrowings;

   (6) sixth, claims of unit holders of the manager, as well as persons affiliated to the manager or a unit holder thereof.

3. The unit holders of the manager, as well as persons affiliated thereto or to the unit holder thereof shall be excluded from the list of creditors in the second, third and fifth priority orders of satisfying claims of creditors of the manager prescribed by part 2 of this Article, the liabilities of the manager towards which shall be satisfied in the sixth priority order.

4. The creditors of the same priority order shall have equal rights for satisfaction of their claims. The claims of creditors of the same priority order shall be satisfied upon full satisfaction of all claims of the preceding priority order.

5. Where the liquidation committee rejects the claims of a creditor or avoids considering them, the creditor shall, prior to approval of the liquidation balance sheet, be entitled to appeal the actions of the liquidation committee. Moreover, where the claim of the creditor is subject to satisfaction in the priority order by which the liquidation committee is carrying out satisfaction of claims at that moment, the court may suspend the satisfaction of claims by the liquidation committee in the respective priority order till the adoption of decision.

6. Where a creditor has made a claim upon expiration of the time limit prescribed by this Law for creditors to make claims, the claim thereof shall be satisfied from those liquidation assets, which will remain upon satisfaction of claims of creditors made on time.

7. Where the creditor, having made a claim and having been registered by the liquidation committee, fails to appear by the last day of the time limit for satisfaction of claims of the respective priority order announced by the liquidation committee in the press with print run of at least 3 000 copies being circulated throughout the republic, in order to receive the claim thereof, the funds or property to be allocated to such a creditor shall be transferred to a notary deposit or shall be deposited as prescribed by law.

8. Before starting the process of satisfaction of claims of each priority order, the liquidation committee shall publish information on the venue of, procedure and time limits for satisfaction of claims in the given priority order via press with print run of at least 3 000 copies being circulated throughout the republic. The main information on the venue of, procedure and time limits for satisfaction of claims, as well as any amendments thereto shall enter into legal force upon the date following the publication thereof in the press with print run of at least 3 000 copies being circulated throughout the republic.

9. The time limit for satisfaction of claims covered by the second priority order of part 2 of this Article may not be less than 21 calendar days. The fixed time limit for satisfaction of claims shall not be subject to renewal irrespective of any reasoning for being missed.

10. The claims rejected by the liquidation committee, where the creditor has not applied to the court with a claim, as well as the claims rejected by a court decision, shall be considered remitted.

Article 82. Control over liquidation committee and reports thereof

1. For the purpose of exercising control over the liquidation process of the manager, the Central Bank may carry out an inspection with the manager undergoing liquidation as prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

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

3. The liquidation committee shall, in the manner and form prescribed by normative legal acts of the Central Bank, be obliged to regularly, but not less often than once a month, publish information on the activity thereof in the press with print run of at least 3 000 copies being circulated throughout the republic.

4. The Central Bank shall be entitled to request any information from the liquidation committee on the activity thereof.

Article 83. Approval of liquidation balance sheet. Termination of activity of a liquidation committee

1. Upon finishing settlements with the creditors, the liquidation committee shall draw up a liquidation balance sheet and submit it to the Central Bank within three days upon the approval thereof by the general meeting of unit holders of the manager under liquidation.

2. The Central Bank shall within a ten-day period make a decision on approval or rejection the liquidation balance sheet, specifying the grounds for rejection. The Central Bank shall refuse to approve the liquidation balance sheet where the liquidation committee has violated the requirements of this Law.

3. Where the Central Bank refuses to approve the liquidation balance sheet, the liquidation committee shall within a ten-day period eliminate the grounds for refusal of the Central Bank to approve the liquidation balance sheet and, upon approval of the liquidation balance sheet by the general meeting of unit holders of the manager under liquidation, submit a new application for approval to the Central Bank. The Central Bank shall consider that application as prescribed by part 2 of this Article.

4. The Central Bank shall, within three working days upon making a decision on approval of the liquidation balance sheet by the Central Bank, make an entry in the registry of managers on repealing the registration of the manager under liquidation, after which the manager shall be deemed to be liquidated and the activity thereof — terminated. The Central Bank shall within five working days notify thereof the body carrying out state registration of legal persons.

5. The liquidation committee shall, within a three-day period upon the Central Bank has taken a decision on approving the liquidation balance sheet, publish information on the liquidation of the manager in the form and manner prescribed by normative legal acts of the Central Bank, after which the liquidation committee shall be released from duties related to liquidation of the manager.

Article 84. Remuneration of a member of liquidation committee

1. Remuneration of a member of a liquidation committee shall be made at the expense of property of the manager under liquidation.

2. The Central Bank may set limits of remuneration of a member of the liquidation committee by normative legal acts thereof.

Article 85. Liquidation of manager on grounds of revoking the licence thereof and on bankruptcy grounds

1. In case of revoking the licence of a manager on grounds prescribed by points 1-7 and 9 of part 1 of Article 59 of this Law, the provisions prescribed by part 5 of Article 78 and Articles 79-84 of this Law shall apply to liquidation of a manager. Moreover, a liquidation committee of the manager shall be established within a five-day period upon making a decision by the Central Bank on revoking the licence of the manager, on which the obligation prescribed by part 5 of Article 78 of this Law shall be imposed.

2. The procedure for liquidation of the manager on grounds of bankruptcy and other relations pertaining to insolvency and bankruptcy of a manager shall be regulated by the Law of the Republic of Armenia "On bankruptcy of banks, credit institutions, investment companies, managers of an investment fund and insurance companies".

SECTION 5

FUND CUSTODY

CHAPTER 14

A CUSTODIAN

Article 86. A custodian

1. Fund assets shall, based on custody agreement, be transferred to a custodian not affiliated to custody manager. The manager and the custodian must, during the effect of the agreement provided for by this part, take reasonable measures for preventing the occurrence of circumstances causing affiliation between them and, in case of occurrence of such circumstances, eliminate them within six months. A manager and (or) a custodian shall be held liable for occurrence, at their fault, of circumstances causing affiliation provided for by this part.

2. A bank operating within the territory of the Republic of Armenia may be the Central Depository or a custodian which, as prescribed by the Law of the Republic of Armenia "On securities market", provides securities custody service . By the Law of the Republic of Armenia "On funded pension" additional requirements may be set for a custodian of a pension fund.

3. Custody of assets of the same fund may be carried out only by one custodian — in person or through a sub-custodian (sub-custodians) in cases prescribed by this Chapter.

4. A custodian may not act as a manager of the given fund, except for temporary management of the fund by a custodian in the absence of a manager in cases

prescribed by this Law. Moreover, in such cases a custodian shall, as soon as practicable, as prescribed by Article 71 of this Law, be obliged to undertake measures for transferring the fund management to another manager or for starting acquisition by the fund managed thereby, using in the selection process of the latter the principle of maximum protection of interests of fund unit holders. A custodian shall carry out the fund management also during liquidation (termination) of the fund in cases prescribed by this Law, as well as in cases prescribed by the Law of the Republic of Armenia "On bankruptcy". The provisions prescribed by law, other legal acts and rules (charter) of the given fund shall apply to the custodian when performing management of the fund in cases prescribed by this part, unless otherwise prescribed or stemming from this Law.

(Article 86 supplemented by HO-72-N of 1 March 2017)

Article 87. Duties of a custodian

1. A custodian shall take into custody, keep and register the fund assets, carry out asset servicing on behalf of the fund and the transfer of assets based thereon.
2. Fund custody need not include taking the assets into custody.
3. In addition to powers prescribed for a custodian by the Law of the Republic of Armenia "On securities market", the custodian shall, in compliance with this Law and normative legal acts of the Central Bank, be obliged to:
   (1) ensure that the issuance, allocation, buyback (repayment) and exchange of units (shares) are performed in compliance with law, normative legal acts stemming therefrom and rules (charter) of the fund;
   (2) ensure that the fund net asset value and net asset value per unit (share) are calculated in compliance with law, normative legal acts adopted on the basis thereof and rules (charter) of the fund;

(3) exercise control over asset transactions of the fund so that operations relating thereto are performed within the time limits prescribed by legislation, and where unavailable — within the time limits usually accepted for carrying out such operations;

(4) fulfil assignments of the manager unless they contradict the law, normative legal acts adopted on the basis thereof and rules (charter) of the fund;

(5) ensure that the assets of the fund are used, and profits of the fund are distributed in compliance with law, normative legal acts and rules (charter) of the fund;

(6) regularly compare the list and the flow of assets with those of the manager;

(7) in cases prescribed by law, where fund management authority of the manager terminates, carry out fund management until the transfer — as prescribed by this Law — of the fund management to another manager or acquisition by a fund managed thereby;

(8) carry out liquidation (termination) of the fund in the absence of a manager;

(9) carry out other functions prescribed by this Law, other laws and legal acts.

4. A custodian shall, during performance of duties thereof, be obliged, in case of detecting violations of requirements of law, normative legal acts adopted in compliance therewith and rules (charter) of the fund, to notify thereof in writing the Central Bank and the manager.

5. A custodian shall be held liable for damages caused — by the actions or omissions thereof (including lost profits) — to the manager, fund or unit holders of the fund except for cases where a custodian acted within the scope of fiduciary duties thereof. Moreover, the manager of the given fund may directly or indirectly make a claim to compensate the damage caused to the fund or unit holders of the fund. Compensation for the damage caused by a custodian to unit

holders of a contractual fund shall be carried out through acquiring — on account of the custodian — fund units of respective quantity for corresponding unit holders of the fund.

Parts 6-9 of Article 68 of this Law shall apply to the compensation for the damage caused by a custody to the fund or the fund unit holders.

(Article 87 supplemented by HO-213-N of 21 November 2012, amended, edited by HO-72-N of 1 March 2017)

Article 88. Additional requirements for a custodian

1. The provisions on a custodian of securities prescribed by the Law of the Republic of Armenia "On securities market" shall apply to a custodian unless otherwise prescribed by this Law.

2. Internal organisational structure and operational system, financial condition, territory of activity, technical systems and means of a custodian, professional qualifications and experience of persons involved in the process of performing functions thereof must be adequate for ensuring the performance of functions provided for by law, normative legal acts and custody agreement.

3. The Central Bank may set additional requirements for the structure and activity of custodians.

4. A custodian shall, when performing the duties thereof, be obliged to act in the interests of unit holders of the fund, exercise the rights and perform the duties thereof towards unit holders of the fund in good faith and in a reasonable manner, with due diligence (fiduciary duty).

5. An agreement concluded between a fund (manager of a contractual fund) and a custodian may not restrict the liability of a custodian prescribed by this Law and other laws.

Article 89. Delegation of custody functions

1. A custodian may delegate a part of functions thereof established by law or all custody functions over a part of fund assets to a third party in compliance with sub-custody agreement concluded therewith. Moreover, as a result of delegation by a custodian of functions thereof, no situation shall emerge in which a custodian does not in fact carry out the custody of the fund.

2. A sub-custody agreement shall clearly define the specific scope of functions being delegated or the assets the custody functions whereof are delegated to a sub-custodian, as well as other provisions prescribed by part 5 of Article 70 of this Law for an agreement on delegation of functions of the manager.

3. A custodian must ascertain that the third party, whereto the custody functions have been delegated, possesses sufficient organisational, technical, financial resources and capacity for proper performance of delegated functions.

4. Sub-custodian may only be a person entitled to custody of the corresponding type of assets, and in case of delegation of additional functions prescribed by this Law — a person meeting the requirements prescribed by part 2 of Article 86 of this Law (in terms of functions performed outside the Republic of Armenia, a person entitled to custody of fund assets in accordance with the legislation of the corresponding foreign state). A sub-custody agreement may not be concluded with the manager of the given fund or another person affiliated thereto except for cases provided for by part 1.1 of Article 86 of this Law. Where during sub-custody circumstances causing affiliation between a sub-custodian and a manager occur, the custodian shall within six months upon occurrence of those circumstances be obliged to terminate the sub-custody agreement, unless they are eliminated before expiration of the six-month period.

5. Provisions on control over and holding a custodian liable as established by this Law and other laws shall also apply to a sub-custodian in terms of delegated

functions, except for a case where the latter is obliged solely to take into custody (keep) fund assets, as well as where the functions of a sub-custodian shall be performed by a foreign legal person outside the Republic of Armenia.

6. A custodian shall be obliged to control proper performance of functions delegated to a sub-custodian and safeguard the legitimate interests of fund unit holders and shall be held liable for damages caused by the action or omission thereof. In this case it shall acquire a counter claim towards a sub-custodian.

7. A custodian shall, for the purpose of delegating custody functions, be obliged to obtain a prior consent of the Central Bank in compliance with provisions prescribed for an agreement on delegation of functions of a manager by Article 70 of this Law.

8. A sub-custodian shall be obliged to secure proper exercise of control by a custodian as provided for by part 6 of this Article.

9. Where the custodian detects that the actions of the sub-custodian violate or may violate the requirements of this Law, other laws and legal acts or sub-custody agreement, it shall be obliged to claim from the sub-custodian to immediately remedy the violation. Where the sub-custodian — upon making the mentioned claim by the custodian — does not remedy the violation within a reasonable time limit set by the custodian, the latter may unilaterally cancel the sub-custody agreement.

10. The Central Bank may also claim the cancellation of a sub-custody agreement as provided for by part 9 of this Article, where a sub-custodian has violated laws and other legal acts which may jeopardise legitimate interests of fund unit holders. The claim of the Central Bank shall be binding for the parties and must be satisfied within the reasonable time limit and in the manner prescribed by the Central Bank.

(Article 89 supplemented by HO-213-N of 21 November 2012)

Article 90. Changing a custodian

1. A custody agreement of a fund may be terminated upon mutual consent of a manager of a contractual fund or a corporate fund and a custodian, where such a possibility is provided by rules (charter) of the fund and fund custody agreement, where a prior consent of the Board of the Central Bank issued as prescribed by normative legal acts of the Central Bank has been obtained and where legitimate interests of fund investors are ensured. Consent of the Central Bank as provided for by this part shall not be required for qualified investment funds. In case of failure to reach mutual agreement with a corporate fund (manager of a contractual fund) as provided for by this part a custodian shall, by fulfilling all other requirements provided for by this part, be entitled to unilaterally terminate the fund custody agreement, informing thereof the manager in writing and in advance but no later than 90 days before termination of the agreement. Moreover, a copy of the decision of the Central Bank on giving prior consent to termination of an agreement shall also be attached to the notice provided for by this part except for cases of termination of custody agreements of qualified investment funds.

2. A manager of a contractual fund or a corporate fund may unilaterally repeal a custody agreement of a fund concluded with a custodian only on the grounds established by part 3 of this Article, for which prior consent of the Central Bank shall be required. The consent provided for by this part shall not be required for qualified investment funds.

3. A manager of a contractual fund or a corporate fund shall upon request by the Central Bank be obliged to repeal within the time limit set by the Central Bank a custody agreement of the fund concluded with the custodian for protecting the legitimate interests of fund unit holders, where the custodian does not perform the duties thereof as prescribed by law, normative legal acts adopted on the basis thereof or rules (charter) of the fund or consistently, in bad faith or grossly

breached the requirement for proper fulfilment thereof, as well as they have not been eliminated within six months upon occurrence of circumstances deemed to be a ground for affiliation between a manager and a custodian or in the reasonable opinion of the Central Bank the sufficient independence of the custodian from the manager has been undermined.

4. In case of termination of a custody agreement of the fund as prescribed by parts 1, 2 and 3 of this Article a custodian shall be obliged to further perform the duties thereof as prescribed by law, normative legal acts adopted on the basis thereof or rules (charter) of the fund until concluding an agreement with a new custodian and transfer the assets of the fund thereto.

5. A custody agreement of the fund shall terminate from the moment of revoking a banking licence of a custodian and, in case of custody of pension funds, also from the moment of prohibiting the latter to perform custodian activity of a pension fund as prescribed by the Law of the Republic of Armenia "On funded pension".

6. In case a custody agreement of the fund is concluded between a manager of a contractual fund or a corporate fund and a new custodian, as well as in case essential amendments are made to a custody agreement of the fund, those amendments (agreement) must within a ten-day period be submitted to the Central Bank. The submitted amendments (agreement) shall be registered by the Central Bank and become effective from the moment of registration. Registration of an agreement concluded with a new custodian shall be made together with the respective amendment in rules of a contractual fund. Within the meaning of this part, the amendment with regard to a custodian, the range of services provided, the fees, as well as those with regard to other conditions considered as essential for similar contracts in the business circulation shall be deemed an essential.

7. The Board of the Central Bank shall reject the registration of amendments to an agreement or a new agreement provided for by part 6 of this Article, where they do not comply with the requirements set by this Law and normative legal acts adopted on the basis thereof.

8. The provisions provided for by parts 6 and 7 of this Article on registration of amendments made in a custody agreement of the fund and custody agreements of the fund concluded with a new custodian (except for the second sentence of part 6 of this Article) shall not apply to qualified investment funds, and amendments made to the custody agreement thereof and custody agreements concluded with a new custodian shall be registered by the chairperson of the Central Bank without verification of their content, unless there is a requirement of a fund unit holder for verification by the Central Bank of compliance of those amendments or an agreement with the requirements prescribed by this Law and normative legal acts adopted on the basis thereof.

(Article 90 supplemented by HO-213-N of 21 November 2012, edited by HO-72-N of 1 March 2017)

SECTION 6

DISCLOSURE OF INFORMATION

CHAPTER 15

PROSPECTUS, REPORTS, EXTERNAL AUDIT AND OTHER MEANS OF DISCLOSING INFORMATION

Article 91. Prospectus

1. The provisions prescribed by the Law of the Republic of Armenia "On securities market" shall apply to the structure, period of applicability, registration, publication of a prospectus of a fund and other legal relations pertaining to a prospectus, except for an open-end fund. Peculiarities of requirements for the form and content of a prospectus of securities issued by the fund shall be set by normative legal acts of the Central Bank.

2. The rules (charter) of open-end funds shall be regarded as a prospectus whereto the provisions of the Law of the Republic of Armenia "On securities market" shall not apply. A manager of an open-end fund shall be obliged to provide to the investors permanent access to rules (charter) of the fund. Requirements for publication of rules (charter) of the fund may be prescribed by normative legal acts of the Central Bank for ensuring the availability of rules of the fund as provided for by this part.

Article 92. Reports

1. A manager shall draft, publish and submit to the Central Bank its annual and interim reports and those of each fund managed thereby. The forms of reports, the content, the procedure for, the time limits and the periodicity of submission and publication thereof shall be prescribed by normative legal acts of the Central Bank, which in terms of pension funds must comply with the respective provisions prescribed by the Law of the Republic of Armenia "On funded pension".

2. A manager shall prepare and submit financial statements to be published in accordance with the Law of the Republic of Armenia "On accounting". A manager shall prepare and submit the financial statements to be published on funds managed thereby in compliance with principles acceptable by the Central Bank and adopted in international practice for such funds.

3. Normative legal acts of the Central Bank may prescribe the duty for informing the Central Bank on adoption by the manager of individual decisions and the informing procedure thereof.

4. The information published and (or) submitted by the manager to the Central Bank must be complete and reliable.

5. The reports of a qualified investment fund drafted by the manager provided for by part 1 of this Article shall be submitted to the Central Bank only upon request of the latter and the requirement on the publication thereof provided for by this Article shall not apply to them.

(Article 92 edited by HO-68-N of 21 June 2014)

Article 93. Information provided to fund unit holders

1. The manager shall, upon first request of a fund unit holder, provide any information thereto, subject to publication as prescribed by this law and other

normative legal acts. Moreover, a fee shall not be charged for provision of copies of recent annual report and of external audit opinion thereon, as well as for provision of a prospectus of a fund (rules (charter) of an open-end fund).

2. The Central Bank shall be entitled to prescribe by the normative legal acts thereof detailed requirements for the composition, form, content of the information, the reports and other similar documents to be provided by managers to fund unit holders, as well as for the procedure of provision thereof.

Article 94. Information subject to mandatory publication

1. A manager shall be obliged to maintain a permanently accessible website and publish thereon at least in Armenian the following information thereon and on the funds managed thereby:

   (1) financial statements (at least the recent annual and the recent quarterly) and external audit opinion on those statements. Moreover, annual financial statements and external audit opinion shall also be published on the official website of public notices of the Republic of Armenia at http://www.azdarar.am;

   (2) the value of net assets of each fund and the recent net asset value per share, allocation and buyback prices of the issued units (shares) thereof, as calculated in the manner and within time limits prescribed by this Law, as well as the structure of the portfolio of each fund. Moreover, any publication covering the information provided for by this point must mention that the stated allocation (buyback) price is the allocation (buyback) price of those units (shares), a claim for acquisition or subscription (buyback) whereof has been made within a certain period, specifying that period;

(3) announcement on convening regular and extraordinary meetings of a fund, as well as decisions made by the meeting of a fund. Moreover, the announcement and decisions of a fund mentioned in this point shall also be published on the official website of public notices of the Republic of Armenia at http://www.azdarar.am;

(4) decisions on paying dividends to fund unit holders;

(5) information on persons having major shareholding in the authorised capital of a manager, executives of managers, as well as on the scope of duties and responsibilities of the latters;

(6) rules (charter) of a manager and each fund as well as amendments and supplements made thereto;

(7) information on a custodian of each fund;

(8) other information provided for by the Law of the Republic of Armenia "On funded pension" (in case of management of pension funds);

(9) other information not deemed to be trade secret or other secrecy or proprietary information.

2. The form, procedure (including means of publication) and frequency of publication of information mentioned in part 1 of this Article, as well as other information (except for trade secret or other secrecy or proprietary information prescribed by law) may be prescribed by normative legal acts of the Central Bank.

3. When placing the information subject to mandatory publication as provided for by part 1 of this Article, the manager carrying out management activity of a mandatory pension fund shall first of all mention the mandatory pension fund.

4. The information to be published in accordance with this Article must be available at the registered office of a manager, as well as on the territory of branches and

representative offices and, upon first request, be provided to any person. Moreover, the amount of the fee required for provision may not exceed the amount of reasonable cost necessary for preparing them (in case of their postal delivery — also for postal delivery). An announcement on the possibility and the procedure for receiving the information mentioned in this part must be prominently placed at the registered office of a manager, as well as on the territory of branches and representative offices.

5. The information published or provided by the manager in accordance with this Article must be reliable and complete.

6. The rules of this Article shall not apply exceptionally to managers performing management of a qualified investment fund.

(Article 94 amended by HO-213-N of 12 November 2012, edited, amended by HO-68-N of 12 November 2012)

Article 95. Advertisement of a fund and (or) a manager

1. ***(Part repealed by HO-68-N of 21 June 2014)***

2. Any advertisement, announcement on the fund or any action aimed at offering and (or) sales of units (shares), a document (including a prospectus) or any medium must contain a note — clearly visible and detached from other information — that the fund and the manager thereof may not guarantee the achievement of the goals declared by the fund. The medium provided for by this part must not contain any statement, which contradicts any information contained in the prospectus or reduces the relevance thereof and must contain a note on the availability of the prospectus and on how investors or potential investors may obtain or review that document.

3. Any advertisement or announcement on the manager performing management activity of a mandatory pension fund shall contain a note stating that it is a manager of a mandatory pension fund.

4. Managers shall not, in advertisements, public offerings or any announcement made on their behalf, be allowed to:

   (1) use such misleading information or announcements made by other persons on the manager of those assets, which may misrepresent the financial position of the given manager and (or) the funds managed thereby, the position on the financial market, image, business reputation or legal status thereof;

   (2) guarantee projected or potential growth of assets of funds managed thereby, as well as the projected amounts of payable dividends and of funded pension;

   (3) bring moral pressure upon a person, through ungrounded or misleading promise, urging thereto to select the manager of given assets;

   (4) apply unfair methods of competition by stating any flaws of other managers and (or) funds, regardless of the fact whether that information is actually reliable or not.

   (Article 95 amended by HO-213-N of 12 November 2012, HO-68-N of 21 June 2014)

Article 96. External audit

1. For the purpose of auditing the financial and economic activity of the manager and the fund managed thereby, each year a manager must engage a person carrying out an independent audit (hereinafter referred to as "external audit") entitled to render audit services by laws and other legal acts. A person rendering

audit of the fund shall be selected by the fund meeting (board of the manager, in case the fund meeting is not available) as prescribed by normative legal acts of the Central Bank. A person performing external audit of the manager shall be selected by the meeting of a manager as prescribed by normative legal acts of the Central Bank.

2. Additional requirements for a person performing external audit of the fund (manager) may be set by the normative legal acts of the Central Bank. A member (head) of a person carrying out an external audit of the fund (manager) may not be a member of the governance body of the manager, another executive or employee, a member and a manager of a person, having performed an internal audit of the manager, as well as a person affiliated to the manager, the executives or other employees thereof.

3. An external audit of a fund may be requested at any time by the fund meeting or the board of a manager at the expense of the resources of a fund or where at the initiative of a fund unit holder or a custodian — at the expense of the resources thereof. An external audit of a fund may be requested at any time by the fund meeting or the board of a manager at the expense of the resources of a fund or where at the initiative of a fund unit holder or a custodian — at the expense of the resources thereof. Moreover, where a fund unit holder (fund manager) or a custodian requests an external audit, the unit holder (custodian) requesting an external audit shall select conclude an agreement with the person, in compliance with parts 1 and 2 of this Article, performing the external audit, which may require compensation of the expenses from the manager at the expense of the resources of the fund, where upon decision of the board of a manager that audit has been justified for the fund (manager).

4. In the contract concluded with the person carrying out external audit, besides an audit opinion, shall also be envisaged an audit report (a letter to the management of the manager).

5. A manager shall, in the contract concluded with a person performing external audit, also envisage the submission of an opinion by the person carrying out an independent audit on the following:

   (1) compliance with the requirements for internal supervision system of the manager for preparing financial reports as prescribed by this Law and normative legal acts of the Central Bank;

   (2) completeness and reliability of the annual financial reports submitted to the Central Bank;

6. When performing an audit a person performing an external audit shall in case of detecting facts, in the opinion thereof, of essential deterioration of financial position of the fund (manager), as well as deficiencies in the internal systems (including those in the internal supervision system) be obliged to immediately but not later than within five working days inform the Central Bank.

7. The Central Bank may oblige a manager to request within four months an external audit of the manager and (or) the fund managed thereby and publish the opinion of the person carrying out an external audit in press with print run of at least 3 000 copies being circulated in the territory of the republic.

8. A manager shall till 1st May of the year following the given financial year submit to the Central Bank the annual opinion and report of the person carrying out an external audit. The annual opinion and report of the person carrying out an external audit of the qualified investment fund shall be submitted to the Central Bank only upon the request of the latter.

9. A person carrying out an external audit upon request of the Central Bank shall be obligated to submit to the Central Bank the necessary documents on the audit of the fund (manager), even where they contain proprietary information, trade secret, bank or other secrecies. Submission to the Central Bank of information provided for by this part shall not be deemed as an illegal publication (submission)

of secrecy protected by law or proprietary information and shall not entail liability. A person performing an external audit shall be held liable for failure to perform the duties prescribed by this part.

10. More detailed requirements for external audit and the form and content of audit opinion may be set for a person carrying out an external audit by normative legal acts jointly prescribed by the Central Bank and the competent authority of the Government of the Republic of Armenia.

11. The Central Bank may request from a person carrying out an external audit additional explanations and clarifications on the opinion and report thereof.

12. Where the audit opinion and (or) report have been drawn in violation of the requirements prescribed by this Law, other laws and legal acts, or an external audit has not been performed as prescribed by laws and other legal acts, the Central Bank may not accept it and require a new external audit by another person carrying out an external audit using the resources of the fund and (or) manager.

(Article 96 amended by HO-68-N of 21 June 2014, edited by HO-72-N of 1 March 2017)

Article 97. Proprietary information

1. Where a manager, custodian, as well as another person performing certain functions of the fund management, while servicing fund (fund unit holder), becomes aware of any information on accounts, trade secret or professional secrecy of the fund (fund unit holder) and any other information thereon, which the fund (fund unit holder) intended to keep secret, and the manager, custodian or other person provided for by this part has been informed or should have been informed about that intention, shall be deemed as an proprietary information.

2. The information on fund (fund unit holder), as prescribed by part 1 of this Article, provided to the Central Bank in connection with exercise of control by persons subject to control by this Law, shall also be deemed as proprietary information.

3. The provisions of the Law of the Republic of Armenia "On securities market" on protection, provision and publication of proprietary information shall cover proprietary information prescribed by parts 1 and 2 of this Article.

4. As a result of analysis of the information, prescribed by the Law of the Republic of Armenia "On combating money laundering and terrorism financing", performed by the authorised body prescribed by that law (within the meaning of this Article, "the authorised body"), where the authorised body arrives at the conclusion that there are reasonable suspicions related to combating money laundering and financing of terrorism or such reasonable suspicions of a predicate offence that may result in money laundering it shall notify the bodies conducting operational intelligence activities, as well as public participants of criminal proceedings thereon.

(Article 97 edited by HO-219-N of 9 June 2022)

SECTION 7

FOREIGN FUNDS

CHAPTER 16

FOREIGN FUNDS

Article 98. Sales of securities of foreign funds in the Republic of Armenia

1. For selling the securities of a foreign fund in the territory of the Republic of Armenia a foreign fund or the manager thereof must obtain a prior consent of the Board of the Central Bank.

2. For obtaining a prior consent of the Central Bank the following shall, in the manner and procedure prescribed by normative legal acts of the Central Bank, be submitted to the Central Bank:

   (1) an application for granting a prior consent;

   (2) a statement, issued by an authorised body exercising control over the foreign manager and (or) fund of a relevant foreign state, on the fact that the foreign fund and (or) the foreign manager hold an authorisation for carrying out the corresponding activity and act in compliance with the legislation of a state concerned;

   (3) translations into Armenian, certified by a notary, of the registration certificate, the charter or other founding documents and the licence of the manager and (or) the fund, the rules of a contractual fund, in accordance with the legislation of registration country of the foreign manager or the fund;

(4) business plan of the fund or the manager;

(5) a prospectus (except for securities issued by open-end or a qualified investment funds);

(6) recent annual and quarterly reports (where a quarterly report has been drawn upon the recent annual report) approved by a person carrying out an external audit;

(7) detailed description of procedure for sale and buyback of units or shares in the Republic of Armenia, including the terms on making payments relating to sale and buyback (repayment) of units or shares;

(8) information on the agent, through which sale and buyback (repayment) of securities will be performed and a relevant agreement concluded therewith;

(9) receipt of the payment of state duty;

(10) other documents prescribed by the normative legal acts of the Central Bank.

3. The procedure for and conditions of granting authorisation provided for by part 1 of this Article shall be prescribed by normative legal acts of the Central Bank.

4. Sale of foreign fund securities shall be performed through the agent registered in the Republic of Armenia (except for cases provided for by part 5 of this Article) in compliance with this law, other laws and other normative legal acts. Additional requirements may be set for such an agent by normative legal acts of the Central Bank.

5. Foreign fund securities may also be sold by a manager operating on the territory of the Republic of Armenia deemed as a manager of the fund concerned or by a branch of a foreign manager created in the territory of the Republic of Armenia, where for obtaining a prior consent provided for by part 1 of this Article the documents on a manager (unless amendments have been made to the

corresponding information available at the Central Bank) and on an agent as prescribed by part 2 of this Article shall not be submitted to the Central Bank.

SECTION 8

REORGANISATION AND TERMINATION (LIQUIDATION) OF FUNDS

CHAPTER 17

REORGANISATION OF FUNDS

Article 99. Change in a type of a corporate fund and the reorganisation thereof

1. Change in a type of a corporate fund and reorganisation of a fund shall be performed based on the decision of the fund meeting (board of the manager of the fund with a legal and organisational form of a limited partnership).

2. A standard (specialised) corporate fund may be changed into specialised (standard) corporate fund or a specific type of a standard (specialised) fund may be changed into another type of a standard (specialised) fund, as well as an open-end, interval or a closed-end corporate fund may be changed into an open-end, a closed-end or an interval corporate fund (change in a type of a fund).

3. Change in a type of a fund shall be performed through amendments to the charter of a fund as prescribed by this law.

4. Where a standard fund is changed into a specialised fund or an open-end fund is changed into closed-end fund, the amendments to the charter of the fund become effective at least after three months upon their publication.

5. A restriction provided for by part 4 of this Article shall not apply to qualified investment funds. In case of change of an open-end qualified investment fund into a closed-end qualified investment fund the amendments to the charter of the fund shall become effective at least after a month upon adoption of the decision of the fund meeting (board of the manager of the fund with a legal and organisational form of a limited partnership) on change in a type of a fund.

6. A corporate fund may be reorganised exclusively for acquisition by another corporate fund managed by the manager thereof, in the case provided for by part 7 of this Article — through acquisition by a corporate fund managed by another manager, as well as a fund with a legal and organisational form of a limited partnership through restructuring a fund deemed as a joint-stock company.

7. A fund left without a manager may in cases prescribed by this Law be acquired by a fund managed by another manager, in case of which the rules of this Law, pertaining to conclusion of fund management agreement with a new manager, shall be observed.

8. An open-end or an interval fund may not be acquired by a closed-end fund. An open-end fund may not be acquired by an interval fund. A standard fund may not be acquired by a specialised fund. A voluntary pension fund may only be acquired by a voluntary pension fund.

9. Reorganisation of a corporate fund in the form of acquisition by another corporate fund shall be performed as prescribed by the Civil Code of the Republic of Armenia, this Law, Law of the Republic of Armenia "On joint-stock companies" and normative legal acts of the Central Bank, through making an entry in the corresponding registry of funds of the Central Bank on termination of activity of an acquired fund (funds) and through registration of the respective amendments made to the charter of an acquiring fund.

10. For being acquired by a corporate fund, a prior consent of the Board of the Central Bank issued as prescribed by normative legal acts of the Central Bank, shall be required. Consent of the Central Bank shall not be required for acquisition of a qualified investment fund.

11. Amendments to the charter of a fund on the change in a type of a corporate fund and reorganisation of a fund shall be published as prescribed by normative legal acts of the Central Bank. A requirement prescribed by this part shall not apply to qualified investment funds.

12. Expenses relating to the change in a type of a corporate fund or reorganisation of a fund shall be covered at the expense of the resources of the manager.

Article 100. Change in a type of a corporate fund and acquisition thereof

1. A change in a type of a corporate fund and the acquisition shall be made based on the decision of the board of the manager and the consent given by the fund meeting (where available).

2. A standard (specialised) contractual fund may be changed into a specialised (standard) contractual fund or a specific type of a standard (specialised) fund may be changed by another type of a standard (specialised) fund, as well as an open-end, interval or closed-end contractual fund may be changed into a closed-end, open-end or interval contractual fund (change in a type of the fund).

3. A change in a type of a fund shall be made through amendment to the rules of the fund as prescribed by this Law.

4. Where a standard fund is changed into a specialised fund or an open-end fund is changed into a closed-end fund, the amendments to the rules of the fund shall become effective at least after three months upon their publication.

5. A restriction provided for by part 4 of this Article shall not apply to qualified investment funds. In case of change of an open-end qualified investment fund into a closed-end qualified investment fund the amendments to rules of the fund shall become effective at least after one month upon adoption of a decision on change in a type of a fund by the board of the manager.

6. Merger, demerger and split-off of a fund shall be prohibited.

7. An acquisition of a fund by another fund shall as prescribed by this Law and normative legal acts of the Central Bank be conducted through repealing the registration of rules of the acquired fund (funds) and through registration of relevant amendments made to the rules of the acquiring fund.

8. For acquisition of a fund a prior consent of the Board of the Central Bank given as prescribed by normative legal acts of the Central Bank shall be required. Consent of the Central Bank shall not be required for acquisition of a qualified investment fund.

9. A contractual fund may be acquired only by another contractual fund managed by the same manager. A fund left without a manager may in cases prescribed by this Law be acquired by the fund managed by another manager, in case of which the rules of this Law pertaining to transfer of fund management to another manager shall be observed. An open-end or an interval fund may not be acquired by a closed-end fund. An open-end fund may not be acquired by an interval fund. A standard fund may not be acquired a specialised fund. A voluntary pension fund may only be acquired by a voluntary pension fund. A mandatory pension fund may only be acquired by a mandatory pension fund of the same type as provided for by the Law of the Republic of Armenia on "On funded pension".

10. In case of acquisition, the assets and liabilities of the acquired fund shall be transferred to the acquiring fund in compliance with the certificate of ownership and merger.

11. Amendments to the rules of a fund on change in a type of a fund and the acquisition thereof shall be published as prescribed by normative legal acts of the Central Bank. The requirement prescribed by this part shall not apply to qualified investment funds.

12. Expenses relating to change in a type of a fund or the acquisition thereof shall be covered at the expense of the resources of the manager.

(Article 100 amended by HO-68-N of 21 June 2014)

CHAPTER 18

TERMINATION (LIQUIDATION) OF FUNDS

Article 101. Liquidation of a corporate fund

1. In addition to the grounds prescribed by the Civil Code of the Republic of Armenia and the Law of the Republic of Armenia "On share holding companies", a corporate fund shall be liquidated, where:

   (1) the time limit for operation of the fund as set by the charter of the fund has expired;

   (2) the minimum amount of the net asset value of the fund as provided for by this Law has not been acquired within six months upon registration of the fund;

   (3) the net asset value of the fund has been lower than the minimum value set by this Law for more than six months period;

   (4) the net asset value of the fund has decreased from ½ of the minimum value set by this Law;

(5) the fund custody and (or) the fund management agreement has been terminated (has terminated) as prescribed by this Law and within two months thereupon a new custodian and (or) a manager has not been assigned, or the fund has not been acquired by another fund managed by the manager, as prescribed by this Law;

(6) in other cases provided for by law and by the charter of the fund.

2. Where the fund meeting (board of the manager with a legal and organisational form of a limited partnership) has failed to adopt a decision on liquidation of the fund and where the grounds provided for by points 2-5 of part 1 of this Article are in place, the Central Bank shall upon mediation of the custodian or on its own initiative be obliged to make a claim on liquidation of the fund with the court.

3. In cases provided for by part 1 of this Article a fund may, based on the decision of the fund meeting (board of the manager of a fund with a legal and organisational form of a limited partnership), be liquidated, where a prior consent of the Central Bank given as prescribed by normative legal acts of the Central Bank is in place, unless the liquidation thereof jeopardises the rights and legitimate interests of fund unit holders. The consent provided for by this part shall not be required for qualified investment funds. A fund established with a legal and organisational form of a limited partnership may, based on the decision of the board of the manager, be liquidated on the grounds not provided for by part 1 of this Article, through preliminary announcement thereabout at least six months in advance.

4. A chairperson and members of a liquidation committee assigned by the fund meeting (board of the manager of the fund with a legal and organisational form of a limited partnership) may only be persons holding relevant qualification as prescribed by normative legal acts of the Central Bank. The Central Bank shall

exercise control over the process of liquidation of a fund and the liquidation committee shall, for the activity thereof, be accountable to the Central Bank.

5. A liquidation committee of the fund shall upon full distribution of fund assets draw a liquidation balance sheet, which shall within three days upon approval by the fund meeting (board of the manager of the fund with a legal and organisational form of a limited partnership) together with other documents prescribed by normative legal acts of the Central Bank be submitted to the Central Bank for registering the liquidation of a fund.

6. The Central Bank shall, within ten days upon submission of the documents provided for by part 5 of this Article, make a decision on approval of a liquidation balance sheet or on the rejection thereof, mentioning the grounds for rejection. The Central Bank shall reject the liquidation balance sheet, where a liquidation committee has violated the requirements set by law or normative legal acts of the Central Bank.

7. A liquidation committee shall, in case of rejection by the Central Bank of a liquidation balance sheet, within a ten day period remove grounds for rejection by the Central Bank of the liquidation balance sheet, and upon approval of the liquidation balance sheet by the meeting (board of the manager of the fund with a legal and organisational form of a limited partnership) of the fund to be liquidated, submit a new application on approval to the Central Bank. The Central Bank shall examine that application as prescribed by part 6 of this Article.

8. The Central Bank shall, within three working days upon making by the Central Bank of a decision on approval of a liquidation balance sheet, make an entry in the registry of managers on repealing the registration of the fund to be liquidated.

9. A fund shall be deemed as liquidated and the activity thereof terminated, upon making the corresponding entry by the Central Bank on the liquidation of the fund, about which the Central Bank shall within five working days inform a state authorised body performing the registration of legal persons for making the corresponding entry by the latter on the liquidation of the fund.

10. A liquidation committee shall within three days upon adoption by the Central Bank of a decision on approval of a liquidation balance sheet publish information on liquidation of the fund in the form and manner prescribed by normative legal acts of the Central Bank, upon which a liquidation committee shall be released from duties relating to liquidation of the fund.

11. In case of liquidation of a voluntary pension fund, a fund unit holder shall have the right to claim from the custodian of the fund concerned the acquisition of units (shares) of another voluntary pension fund (upon the choice thereof) on behalf thereof and at the expense of assets to be allocated thereto. A custodian shall be obliged to inform — in writing and in due manner — all the unit holders of the fund to be liquidated about their rights and consequences thereof, as provided for by this part. In case of not making the corresponding claim within five working days upon receipt of the notice prescribed by this part, the respective assets shall be paid as a lump sum to the unit holders that have not chosen a fund.

Article 102. Termination of a contractual fund

1. A fund shall be terminated, if:

   (1) the time limit for operation of the fund as prescribed by the rules thereof has expired;

   (2) the minimum amount of the net asset value of the fund as provided for by this Law has not been acquired within six months upon registration of the rules of the fund;

(3) the net asset value of the fund has been lower than the minimum value set by this Law for more than six months period;

(4) the net asset value of the fund has decreased from ½ of the minimum value set by this Law;

(5) the fund custody and (or) fund management agreement has been terminated (has terminated) as prescribed by this Law and within three months thereupon a new custodian and (or) manager has not been assigned, or the fund has not been acquired by another fund managed by the manager, as prescribed by this Law;

(6) in other cases provided for by law and fund rules.

2. A decision on termination of a fund shall be made by the manager, and where unavailable — the custodian, and shall receive the consent of the fund meeting (where available). In case of failure to adopt a decision on termination of the fund or rejection of that decision by the fund meeting, where there are grounds provided for by points 2-5 of part 1 of this Article, the Central Bank shall, upon mediation of a custodian or on its own initiative, be obliged to make a claim on the termination of the fund with the court.

3. In cases provided for by part 1 of this Article the fund may be terminated, based on the decision made by the manager on termination of the fund, only in case there is a prior consent of the Board of the Central Bank given as prescribed by normative legal acts of the Central Bank, unless the termination thereof jeopardises the rights and legitimate interests of fund unit holders. The consent provided for by this part shall not be required for qualified investment funds.

4. Termination of a fund shall be carried out by the manager, and where unavailable — by the custodian as prescribed by normative legal acts of the Central Bank. The Central Bank shall exercise control over the process of termination of the fund, and the manager (custodian) shall be accountable thereto for the actions thereof.

5. An announcement on time limit (which may not be less than two months) and procedure for termination of the fund and submission of claims of fund creditors, as well as the interim balance sheet for termination drawn by the manager (custodian), upon expiry of the time limit for submission of claims of creditors, must be published by the manager or the custodian (where a manager is unavailable) in press with print run of at least 3 000 copies being circulated throughout the republic.

6. A manager (custodian) may, during termination of the fund, perform only such actions and conclude such transactions which are targeted at fulfilment of liabilities of the fund, realisation of the means and distribution of the assets thereof.

7. Upon satisfaction of the claims of fund creditors as well as where, at the moment of approval of the interim balance sheet of termination, the fund has no liabilities towards creditors, the fund assets shall be distributed among fund unit holders, proportionate to the size of the holding thereof in the fund. Payment to fund unit holders against their units shall be carried out exclusively through proceeds.

8. A manager (custodian) shall, upon full distribution of fund assets, draw a termination balance sheet, which in case of availability of a fund meeting, be approved thereby and submitted to the Central Bank together with other documents prescribed by normative legal acts of the Central Bank, for registering the termination of a fund.

9. The Central Bank shall, within ten days upon submission of the documents provided for by part 8 of this Article, make a decision on approval of the termination balance sheet or on rejection thereof, mentioning the grounds for rejection. The Central Bank shall reject the termination balance sheet, where the manager (custodian) has violated the requirements set by law or normative legal acts of the Central Bank for termination of a fund.

10. In case the Central Bank does not approve the termination balance sheet, the manager (custodian) shall within a 10 day period eliminate the grounds for rejection by the Central Bank of the termination balance sheet, and upon approval of the termination balance sheet by the meeting of the fund to be terminated, submit a new application to the Central Bank for the approval thereof. The Central Bank shall examine that application as prescribed by part 9 of this Article.

11. The Central Bank shall, within three working days upon making a decision by the Central Bank on approval of the termination balance sheet, make an entry in the registry of rules of contractual funds, on cancelling the registration of the rules of the contractual fund to be terminated.

12. A fund shall be deemed as terminated upon making the corresponding entry by the Central Bank on the termination of the fund, about which the Central Bank shall within five working days inform the state authorised body performing the registration of legal persons, for making by the latter of the corresponding entry on the termination of the fund.

13. A manager (custodian) shall, within three days upon making a decision by the Central Bank on approval of the termination balance sheet, publish information on the termination of the fund in the form and manner prescribed by normative legal acts of the Central Bank, upon which the manager (custodian) shall be released from duties relating to termination of the fund.

14. In case of termination of a mandatory pension fund, the assets of the fund unit holder shall not be refunded, instead units of another mandatory pension fund chosen as prescribed by this part shall be bought by using the resources thereof or on behalf thereof, by the registrar of the unit holders of the fund concerned, within five working days upon choosing a fund. In case of not making the mentioned choice, within five working days upon being informed in writing and in a proper manner about the need and procedure for the choice, by the fund unit holder of the fund provided for by this part, the fund shall within five

working days be chosen randomly by the registrar of the unit holders of the fund concerned, using the software prescribed by the Law of the Republic of Armenia "On funded pension".

15. In case of termination of a voluntary pension fund the assets of the fund shall be distributed among the fund unit holders as prescribed by part 11 of Article 101 of this Law.

SECTION 9

CONTROL AND MEASURES FOR LIABILITY

CHAPTER 19

CONTROL AND LIABILITY FOR VIOLATING THE REQUIREMENTS OF THIS LAW

Article 103. Fundamental for exercising control

1. Control over fulfilment of and compliance with the requirements of this Law, other laws, governing relations pertaining to the establishment and (or) activity of funds and (or) managers, and other legal acts adopted on the basis thereof shall be exercised by the Central Bank.

2. The Central Bank shall within the scope of the authority thereof regulate and control corporate funds, as well as public funds, managers and custodians (hereinafter referred to as "persons under control"), as well as the activity of the executives thereof and persons subject to qualification by this Law acting therewith or on behalf thereof.

3. The Central Bank shall perform the authority thereof to control, established by part 1 of this Article, through onsite and offsite control over the persons mentioned in part 2 of this Article.

4. The Central Bank shall exercise onsite and offsite control in the manner and on terms prescribed by this Law, Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia" and normative legal acts of the Central Bank.

5. The Central Bank shall have the authority to provide the information, it has become aware of during control, on the persons under control to the respective state body of a foreign country with the exclusive right for exercising control over funds, which that state body needs for granting consent for creation of a subsidiary (also a subsidiary acting as an agent) or a regional subdivision on the territory of the state concerned by the respective person under control operating on the territory of the Republic of Armenia, or for exercising control over such a subsidiary (also subsidiary acting as an agent) or a regional subdivision created on the territory of the given country, as prescribed by an international agreement concluded between the Central Bank and the respective state authority of a foreign state entitled to exercise control over funds.

Article 104. Offsite control of the Central Bank

1. The Central Bank shall, as required by the Central Bank, exercise offsite control by examining the reports, references, explanatory notes and other such documents or information submitted to the Central Bank by persons provided for by part 2 of Article 103 of this Law.

2. The normative legal acts of the Central Bank shall prescribe the procedure and time limits for submitting documents and information provided for by part 1 of this Article.

Article 105. Inspections by the Central Bank

1. The Central Bank shall perform inspections at a frequency and as prescribed by law and normative legal acts of the Central Bank, based on the plan of inspections developed thereby (planned inspections) and (or) where appropriate.

2. Inspections at persons under control shall be performed as prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

Article 106. Sanctions of the Central Bank and the application procedure thereof

1. The Central Bank shall, for violation of requirements of this Law, other laws governing relations pertaining to establishment and (or) activity of funds and (or) managers, the activity of a financial group with participation of managers and (or) other legal acts adopted on the basis thereof, apply to persons mentioned in part 2 of Article 103 of this Law the following sanctions (where applicable):

   (1) warning with an instruction (instructions) to undertake measures aimed at remediation and (or) prevention of such a violation in future and (or) avoidance of such a violation in future (hereinafter referred to as "warning");

   (2) penalty;

   (3) revoking the professional qualification;

   (4) revoking the licence.

2. For each violation only one sanction may be imposed, except for the case where a penalty is imposed together with the warning.

3. The imposition of a sanction provided for by this Article shall not exclude the possibility of simultaneously applying criminal, administrative, civil or other forms of sanctions, as imposed by another procedure.

4. The sanctions provided for by this Article shall be applied as prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

(Article 106 supplemented by HO-138-N of 12 November 2015)

Article 107. Warning

1. The Chairperson of the Central Bank shall, in case of violation of this Law, other laws governing the relations pertaining to establishment and (or) activity of funds and (or) managers and (or) other legal acts adopted on the basis thereof, be entitled to decide to issue a warning to a person having committed such a violation.

2. The committed violation shall be recorded through warning, and the person having committed the violation shall be informed about the inadmissibility of the violation.

3. The warning shall provide the instruction (instructions) on undertaking measures aimed at remediation within the time limits prescribed by the Central Bank and (or) prevention of such a violation in future and (or) avoidance of such a violation in future. Termination of certain transactions and (or) operations being concluded with the person under control and (or) amendment to the terms thereof and (or) guidance on undertaking measures necessary for bringing the activity thereof in line with laws and other legal acts may also be provided for by the instruction (instructions). Execution of the instruction (instructions) shall be binding for the person having received the warning.

Article 108. Penalty

1. Where in case of violation of this Law, other laws governing the relations pertaining to establishment and (or) activity of funds and (or) managers and (or) other legal acts adopted on the basis thereof, for the purpose of remedy of the situation created with the person under control, those violations and (or) reasons for violations have not been or may not be eliminated upon implementing measures of control (such as meeting, correspondence, explanatory works) and (or) upon delivery of the warning, the Chairperson of the Central Bank shall, upon the decision thereof, have the right to impose a penalty on the person having committed such a violation.

2. The provisions on the maximum amount of penalty for legal and natural persons as prescribed by the Law of the Republic of Armenia "On securities market" shall apply to the maximum amount of the penalty imposed in cases provided for by part 1 of this Article, unless a greater amount of penalty for certain violations is prescribed by other laws.

3. When determining the size of the penalty the Central Bank shall take into consideration:

   (1) the nature of the violation (existence of intent, indifference or negligence);

   (2) the existence and the extent of the damage caused to other persons through violation;

   (3) the extent of undue enrichment, given the compensations provided to other persons;

   (4) the fact of committing the same or another violation by the same person in the past and being held liable therefor, as well as the nature and size of the former liability;

(5) other circumstances deemed as essential by the Central Bank.

4. On each occasion the amount of the penalty shall not cause financial distress, as substantiated by the criteria prescribed by the Board of the Central Bank, to the person under control.

5. In case of failure to voluntarily pay the penalty prescribed by this Article, it shall be charged by judicial procedure, based on the claim of the Central Bank. Moreover, the penalty imposed on an executive of a person under control or a person subject to qualification, acting as a part thereof or on behalf thereof, as prescribed by this Law, shall be charged from the private means thereof.

6. The penalty charged as prescribed by this Chapter shall be paid to the state budget.

Article 109. Revoking professional qualification

1. The professional qualification of an executive of a person under control or a person subject to qualification, as prescribed by this Law, acting as a part thereof or on behalf thereof, may be revoked upon decision of the Central Bank, where they:

(1) have intentionally violated laws and other legal acts;

(2) have conducted such actions or omissions as a result whereof a person under control has or might have incurred considerable financial or other losses;

(3) during the term of office thereof, have carried out unsubstantiated activity and activity jeopardizing the interests of investors or have demonstrated attitude in bad faith towards official duties thereof, including obligations assumed towards a person under control and the clients thereof;

(4) have hindered the actions of the Central Bank, the employees thereof in exercising control, or have not executed or have improperly executed the instruction (instructions) provided through a warning of the Central Bank;

(5) have submitted false and (or) unreliable documents and (or) information for obtaining professional qualification.

Article 110. Revoking a licence (repealing an authorisation)

1. The licence (authorisation) of a manager shall upon decision of the Board of the Central Bank be revoked thereby, in cases prescribed by this Law.

2. The Central Bank may, before imposition of a sanction provided for by part 1 of this Article, set a certain time limit for the manager, during whereof the latter shall be obliged to remedy the violations deemed as ground for revoking the licence.

3. The grounds and procedure for revoking the licence of a custodian shall be prescribed by the Law of the Republic of Armenia "On banks and banking".

SECTION 10

OTHER PROVISIONS

Article 111. Notifying on errors in documents submitted to the Central Bank and informing on the amendments made thereto

1. Where not all the documents required by this Law and (or) normative legal acts of the Central Bank have been attached to an application submitted to the Central Bank, as prescribed by this Law, and (or) they contain errors, the Central Bank shall within five working days be obliged to inform the applicant

thereabout. The person notified as prescribed by this Part shall within ten calendar days be obliged to submit to the Central Bank all the necessary documents and (or) eliminate the errors contained therein. In that case the application shall be deemed as submitted upon the entry of all the appropriate documents with the Central Bank.

2. Where amendments have been made to the information contained in the documents submitted during the examination of the application submitted to the Central Bank, as provided for by this Law, an applicant shall, within a reasonable time period but not later than until making a decision by the Central Bank on approval or rejection of the application submitted, be obliged to inform the Central Bank in writing about those amendments, where appropriate, also submitting documents certifying the information amended. In that case the application shall be deemed as submitted upon entry of the amended information and documents with the Central Bank.

Article 112. Suspension of the time limits prescribed by law

1. The time limits, prescribed by this Law, for making a decision by the Central Bank on registration, licensing, preliminary consent, as well as any other issue may, for clarifying certain facts required by the Central Bank, be suspended thereby but not longer than for six months.

2. Where the Central Bank does not reject the application of an applicant, within the time limits, prescribed by this Law, and does not make a decision on suspension of the time limits set, as prescribed by part 1 of this Article, for making a decision by the Central Bank on registration, licensing, preliminary consent, as well as any other issue, it shall be deemed that the Central Bank has adopted a favourable decision and that the Central Bank shall be obliged to perform actions which it should have performed according to this Law, where it

has made the corresponding favourable decision within the time limits set. Moreover, the calculation of the time limits set for those actions shall start from the moment of expiry of the last day of the time limit set for making the corresponding decision by the Central Bank.

Article 113. Decisions made by the Central Bank and the delivery thereof

1. Decisions, prescribed by this Law, made by the Central Bank on registration, licensing, preliminary consent, as well as any other issue, shall be substantiated and unambiguous.
2. The decision, prescribed by this Law, made by the Central Bank on registration, licensing, preliminary consent, as well as any other issue, shall within three working days following the day of making thereof be delivered to the person having submitted the application.

SECTION 11

FINAL PART AND TRANSITIONAL PROVISIONS

Article 114. Final part

1. This law shall enter into force on the tenth day following the day of the official promulgation thereof.

Article 115. Transitional provisions

1. The provisions prescribed by part 2 of Article 86 of this Law for a custodian of a mandatory pension fund shall enter into force upon the time limits prescribed by the Law of the Republic of Armenia "On funded pension".

Կազմված է յոթանասունինը թերթից:

Comprises seventy-nine sheets.