

Article 2. Legal regulation of securitisation

1. Relations as regards asset securitisation are regulated by the Laws of the Republic of Armenia “On securities market”, “On investment funds”, the Civil Code of the Republic of Armenia, other laws and other legal acts adopted based thereon, unless other regulation is provided for by this Law.
2. This Law does not restrict the right of a person to issue securities secured by asset collateral or otherwise, in accordance with the requirements and procedure prescribed by the legislation of the Republic of Armenia.
3. Relations pertaining to the legal status, establishment, regulation of activities of securitisation funds, termination of activities, bankruptcy, liquidation of securitisation funds, activities of the managers of securitisation funds, as well as supervision of the securitisation process shall be regulated by the Laws of the Republic of Armenia “On investment funds”, “On securities market”, and in cases and within the scope provided for thereby — by regulatory legal acts of the Central Bank.

(Article 2 edited, supplemented by HO-321-N of 4 May 2018)

Article 3. Main concepts used in the Law

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

assets —funds and/or rights of claim therefor and/or other financial assets among the assets prescribed by the Law of the Republic of Armenia “On accounting” that ensure or may ensure certain cash inflows (including securities, account receivable);

asset-backed securities — securities issued by a securitisation fund pursuant to this Law, the price for which or income received whereby depend on the assets acquired or risks assumed;

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

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

(paragraph deleted by HO-321-N of 4 May 2018)

(paragraph deleted by HO-321-N of 4 May 2018)

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

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

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

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

(paragraph deleted by HO-321-N of 4 May 2018)

securitisation — a transaction or a process through which the securitisation fund acquires assets or assumes related risks and issues securities, the price wherefor or the income received whereby depend on the assets acquired or risks assumed;

assuming risk — assuming credit risk related to the asset through providing a guarantee, or through a derivative instrument, or through other means permitted by law;

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

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

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

Servicing process may involve:

- (1) the master or primary servicer, which is responsible for the entire pool of assets, and different sub-servicers shall report thereto;
- (2) the sub-servicer, which is responsible for a part of assets in the pool of assets, and which reports to a master servicer;
- (3) the backup servicer — a servicer, which shall assume the obligations arising from a service contract signed with a securitisation fund in case the service contract signed with the primary servicer is terminated or the latter fails to fulfil the obligations assumed under the contract.

(paragraph deleted by HO-321-N of 4 May 2018)

(paragraph deleted by HO-321-N of 4 May 2018)

(paragraph deleted by HO-321-N of 4 May 2018)

securitisation fund — an investment fund that acquires assets or assumes related risks for the purpose of securitisation;

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

(Article 3 amended, supplemented, edited by HO-321-N of 4 May 2018)

CHAPTER 2

SECURITISATION FUND AND OTHER PARTICIPANTS OF SECURITISATION PROCESS

(title amended by HO-321-N of 4 May 2018)

Article 4. Legal status of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 5. The property of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 6. Expenses of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 7. Obligations of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 8. Establishment of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 9. Charter of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 10. Management bodies of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 11. Board of Directors of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 12. Chairperson of the Board of Directors

(Article repealed by HO-321-N of 4 May 2018)

Article 13. Meetings of the Board of Directors

(Article repealed by HO-321-N of 4 May 2018)

Article 14. Competencies of the Board of Directors

(Article repealed by HO-321-N of 4 May 2018)

Article 15. Manager of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

Article 16. Competencies of the manager of a securitisation fund

(title amended by HO-321-N of 4 May 2018)

1. The manager of a securitisation fund, in addition to the competences prescribed by the Law of the Republic of Armenia “On investment funds”, shall have the following competences:
 - (1) acquire assets for the purpose of issuing asset-backed securities;
 - (2) issue asset-backed securities;
 - (3) carry out asset management;
 - (4) sign contracts on provision of services for the purpose of servicing assets and asset-backed securities;
 - (5) carry out any activities permitted by the legislation of the Republic of Armenia, which are necessary for exercising the competences specified in points 1-4 of part 1 of this Article.
2. The manager of a securitisation fund shall be prohibited to carry out activities not provided for by this Law, regulatory legal acts of the Central Bank and the prospectus of asset-backed securities.
3. The manager of a securitisation fund may conclude derivative financial instruments exclusively for ensuring liquidity of the pool of assets and securing initial value of assets in the pool of assets.

Regulatory legal acts of the Central Bank may prescribe types of derivative financial instruments concluded by a securitisation fund and the maximum amount of investments into derivative financial instruments.

(Article 16 edited by HO-199-N of 27 October 2016, amended, supplemented by HO-321-N of 4 May 2018)

Article 17. Requirements for assets of a securitisation fund

(title edited by HO-321-N of 4 May 2018)

1. Third persons, except for owners of securities issued by a securitisation fund and parties of the contracts signed with a securitisation fund pursuant to this Law, may not submit claims in regard to the assets of a securitisation fund prior to the fulfilment of the obligations on asset-backed securities in full, where:
 - (1) assets were sold to the securitisation fund at the market price;
 - (2) the ownership right of assets was transferred to a securitisation fund in a manner prescribed by law;
 - (3) the originator or seller are not competent to transfer, pledge, replace, receive back, repurchase or use in any other way assets or proceeds on them without consent of the holder of asset-backed securities.

(Article 17 edited by HO-321-N of 4 May 2018)

Article 18. Registration of a securitisation fund

(Article repealed by HO-321-N of 4 May 2018)

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

(Article repealed by HO-321-N of 4 May 2018)

Article 20. Originator and seller

1. The originator may directly or through a seller sell assets to a securitisation fund.
Where there is a seller, the latter shall buy assets from an originator for the purpose of selling them to the securitisation fund.

2. The regulatory legal acts of the Central Bank shall prescribe requirements for the seller and his activities.
3. The originator or seller shall have the right to:
 - (1) provide guarantees on asset quality and assume the responsibility of repurchasing or replacing assets which do not comply with the guaranteed quality standards;
 - (2) act as an asset servicer or sign other contracts on provision of services with a securitisation fund on market conditions;
 - (3) provide means of credit enhancement pursuant to this Law.

(Article 20 amended by HO-321-N of 4 May 2018)

Article 21. Servicer

1. Servicers shall perform their duties in accordance with the provisions of a service contract.
2. While performing their duties, servicers shall act in the interest of investors of asset-backed securities, exercise their rights and perform their duties towards the investors in a fair and reasonable manner (fiduciary duty).
3. A service contract shall provide for:
 - (1) segregation of assets from other assets of a servicer and servicer's duty to carry out separate accounting for them;
 - (2) servicer's duty to maintain separate accounts for proceeds on each pool of assets or a part of assets within each pool of assets;
 - (3) in case of a bankruptcy of a servicer or his failure to fulfil obligations assumed by the service contract, termination of a service contract initiated by securitisation fund and appointment of a backup servicer;

- (4) in case of termination of a service contract, servicer's duty to provide all entries and documents relating to assets, in electronic and/or documented form, to the securitisation fund or the backup servicer appointed by it, transfer cash sums and accounts derived from assets without any sett-off;
 - (5) fulfilment of obligations of a servicer assumed by the service contract until a backup servicer is appointed;
 - (6) other requirements prescribed by regulatory legal acts of the Central Bank.
4. Provision of service activities may be a gratuitous transaction.
 5. In case of appointing a backup servicer, a securitisation fund shall provide all information necessary for fulfilment of obligations of the primary servicer assumed by the service contract.
 6. Additional requirements for the servicers and their activities may be prescribed by the regulatory legal acts of the Central Bank.

(Article 21 amended by HO-321-N of 4 May 2018)

CHAPTER 3

POOL OF ASSETS

Article 22. Sale of assets to a securitisation fund

(title amended by HO-321-N of 4 May 2018)

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

2. Sale of assets to a securitisation fund shall include a transfer of assets, as well as all related agreements, rights, collateral, mortgage and other means of securing the fulfilment of obligations, including guarantees.
3. An asset sale agreement shall contain a provision, pursuant to which the ownership right of assets shall be deemed transferred to a securitisation fund from the moment of signing an act on transferring assets, regardless of the time limits for making payment for the acquisition of the assets. In case the sale of assets also implies the transfer of rights related to immovable property, the ownership right of the assets shall be deemed transferred to a securitisation fund from the day of the state registration of that right.
4. The originator or seller shall be obliged to notify debtors about the sale of assets to a securitisation fund.
5. As of the day of signing the asset sale agreement originator or seller shall not be involved in the processes of insolvency, bankruptcy, liquidation or voluntary liquidation.

(Article 22 amended by HO-321-N of 4 May 2018)

Article 23. Requirements for assets in the pool of assets

1. The pool of assets may include assets which are not encumbered by rights and claims of third persons and are free from any limitations as of the day of their sale to a securitisation fund.
2. Establishment and operation of a loss reserve of investments in investment securities of a securitisation fund, classification of loans and accounts receivables and establishment of loss reserves shall be carried out as prescribed by the laws of the Republic of Armenia “On banks and banking activity” and “On profit tax”.

3. The duty of reserving the accounts receivables shall be incurred by the participant of the securitisation process that shall incur the risk of not receiving payments on assets under the contract concluded between the parties. Moreover, a decision of the Central Bank may prescribe specific conditions for reservation, taking into consideration the terms and conditions of the contract concluded between the parties.

(Article 23 amended, supplemented by HO-321-N of 4 May 2018)

Article 24. Registration of the pool of assets

1. For the registration of the pool of assets a securitisation fund shall submit to the Central Bank the following documents:
 - (1) a list of cover assets backing asset-backed securities;
 - (2) documents certifying ownership right of a securitisation fund over assets, included in the list of assets, as prescribed by this Law;
 - (3) other documents prescribed by the regulatory legal acts of the Central Bank.
2. A securitisation fund shall submit to the Central Bank the list of assets together with the prospectus on issuance of asset-backed securities (if a prospectus is required for the issuance of securities in the procedure prescribed by law).
3. Within twenty working days after receiving the documents prescribed by part 1 of this Article, the Central Bank shall register the list of assets submitted by a securitisation fund or reject its registration. The Central Bank shall carry out the registration of assets based on the information in the documents prescribed by part 1 of this Article.
4. For the purpose of verifying the information required by the Central Bank registration period of twenty working days may be suspended until the required information is received.

5. The list of assets shall be deemed registered in case the Central Bank does not register them within twenty working days or does not notify the securitisation fund about the suspension of that period.
6. The Central Bank shall reject the registration of the list of assets submitted by a securitisation fund for the purpose of securitisation, if the submitted documents are incomplete or contain false or unreliable information.
7. The registration of assets by the Central Bank is a state registration and no other registration of the right to the claim over assets shall be required.
8. Changes in the pool of assets, conditioned by the replacement or replenishment of assets, shall be subject to the registration in the Central Bank in a manner prescribed by this Article for the registration of the pool of assets.
9. The Central Bank shall, by the regulatory legal acts thereof, set up a register of the pool of assets and prescribe the procedure for concerned persons to receive information on assets from the register of the pool of assets. The Central Bank may delegate the functions of setting up, maintaining and providing by concerned persons information from the register of the pool of assets to other person under a delegation agreement.

(Article 24 amended, supplemented by HO-321-N of 4 May 2018)

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

1. After the registration of the pool of assets, the assets in the pool of assets may be replaced:
 - (1) if it is necessary to replace assets which do not correspond to the quality criteria prescribed by the guarantee, provided to a securitisation fund by the originator or seller;
 - (2) in other cases, prescribed by the regulatory legal acts of the Central Bank.

2. After the registration of the pool of assets, the assets in the pool of assets may be replenished if:
 - (1) it is necessary for maintaining the minimum initial value of the pool of assets by a securitisation fund;
 - (2) in other cases prescribed by the regulatory legal acts of the Central Bank.

(Article 25 amended by HO-321-N of 4 May 2018)

Article 26. Pledging of the pool of assets

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

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

2. ***(part repealed by HO-321-N of 4 May 2018)***

(Article 26 amended by HO-321-N of 4 May 2018)

Article 27. Residual value of the pool of assets

(Article repealed by HO-321-N of 4 May 2018)

Article 27.1. Assuming risk

1. Given the necessity to protect the interests of investors or ensure financial stability or regular activities of financial markets, the regulatory legal acts of the Central Bank shall prescribe the following:
 - (1) types of assets or related risks to be assumed;
 - (2) criteria, risks complying with which may be assumed;
 - (3) requirements for securities issued based on the risk assumed;
 - (4) mandatory terms and conditions of the contract on transfer of asset-related risk.

(Article 27.1 supplemented by HO-321-N of 4 May 2018)

CHAPTER 4

ASSET-BACKED SECURITIES

Article 28. Asset-backed securities

(title edited by HO-321-N of 4 May 2018)

1. A securitisation fund may issue asset-backed securities in the form of units (stocks), bonds and/or other debt securities issued as prescribed by the Law of the Republic of Armenia “On investment funds”.

(Article 28 edited by HO-321-N of 4 May 2018)

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

(Article repealed by HO-321-N of 4 May 2018)

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

(Article repealed by HO-321-N of 4 May 2018)

CHAPTER 5

CREDIT ENHANCEMENT

Article 31. Means of credit enhancement

1. The originator or seller of asset-backed securities as well as other persons may provide the following means of credit enhancement:
 - (1) payment guarantees on asset-backed securities on market conditions;
 - (2) temporary liquidity guarantees provided for the payment of principal amount and/or interests of asset-backed securities, which may not amount to or exceed the amount of guarantees mentioned in point 1 of this Part;
 - (3) acquisition of the lowest class of asset-backed securities from the same issuance;
 - (4) creation of a reserve for payments on the asset-backed securities;
 - (5) sale of assets to a securitisation fund on lower price than the estimated value of the assets, provided that such difference shall return in the future to the originator, seller or, in the unit (stock), to the investor;

- (6) asset insurance;
- (7) other forms of credit enhancement prescribed by the regulatory legal acts of the Central Bank or permitted in the procedure prescribed by this Law.

(Article 31 amended by HO-321-N of 4 May 2018)

Article 32. Granting permission for credit enhancement

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

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

- (1) the means of credit enhancement do not contradict the laws and other legal acts.
- (2) the means of credit enhancement does not threaten the interests of investors.

(Article 32 amended by HO-321-N of 4 May 2018)

CHAPTER 6

(Chapter repealed by HO-321-N of 4 May 2018)

ACCOUNTING, REPORTING AND SUPERVISION

CHAPTER 7

(Chapter repealed by HO-321-N of 4 May 2018)

LEGISLATION VIOLATIONS AND SANCTIONS

CHAPTER 8

(Chapter repealed by HO-321-N of 4 May 2018)

LIQUIDATION OF A SECURITISATION FUND

CHAPTER 9

TRANSITIONAL PROVISION

Article 43. Entry into Force

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

**President
of the Republic of Armenia**

S. Sargsyan

21 June 2008,

Yerevan

HO-96-N

