THE REPUBLIC OF ARMENIA

LAW

ON INVESTMENT FUNDS

Adopted on 22 December 2010

The purpose of this law is the protection of investors' rights, the development of a pooled investments system, the adoption of a single regulatory framework for founding investments managers and their activities, the increase of financial intermediation and the inclusion of public at large in capital markets.

SECTION 1

GENERAL PROVISIONS

CHAPTER 1

GENERAL PROVISIONS

ARTICLE 1. SCOPE OF LAW

1. This law regulates relations in connection with pooled funds and provides (regulates):
1) Types of investment funds in the territory of the Republic of Armenia, their, as well as the legal status of investment fund managers operating within the territory of the Republic of Armenia, the branches founded within the territory of the Republic of Armenia by foreign investment managers, and the custodians of investment funds;
2) The legal relations in connection with foundation, operation, management and termination of investment fund managers operating within the territory of the Republic of Armenia, and of the branches founded within the territory of the Republic of Armenia by foreign investment managers;
3) The requirements of investment policies of investment fund managers operating within the territory of the Republic of Armenia;
4) The sale of securities issued by foreign investment fund in the territory of the Republic of Armenia;
5) The relations in connection with the supervision carried out by the Central Bank of the Republic of Armenia (hereafter Central Bank) for ensuring and protecting the requirements set by this law and other regulations adopted based on this law, and the enforcement actions for not adhering to those requirements.
2. The provisions set by this law for investment funds shall be applicable to public investment funds, in case the particular provision explicitly does not mention that it is applicable to non-public investment funds.
3. Other applicable laws regulate the peculiarities of securitization and pension funds.

ARTICLE 2. THE REGULATION OF INVESTMENT FUNDS

1. The relations in connection with foundation and operation of investment funds (including non-public investment funds) and investment fund managers are regulated by this law (taking into consideration the provisions of part 2 of Article 1 of this law), the civil Code of the Republic of Armenia, as well as the Republic of Armenia's laws "On Securities Market", "On Joint Stock Companies", "On Limited Liabilities Companies", other laws and regulations, if this law does not regulate otherwise.

ARTICLE 3. DEFINITIONS

1. When used in this law:
1) Investment fund: legal entity or a group of assets that are pooled on the basis of fund management contracts or similar contracts provided by the Civil Code of the Republic of Armenia, which is founded and (or) operates (is used) having the purpose of or one of its main purposes being the return of investments by investors through collective investments in securities and (or) other assets under a unified investment policy in the form of increase of capital, dividends and (or) other financial income in line with the investments done by the later in the capital of the legal entity (group of assets) and dependent on the results of management of the investments, but independent of the fact that that particular legal entity (group of assets) has been classified as "investment fund" in its founding documents or not, as well as independent of the fact that the provided purpose has been achieved and (or) the operation has been conducted in reality by the legal entity (the manager of the group of assets) (hereafter together: the fund) or not. The regulations of the Central Bank can provide the standards of assessing the operations envisioned in this clause as the purpose or one of the main purpose of founding or operation of an entity (group of assets). The definition of "fund" does not include:
a. Banks, insurance companies, investment companies, managers of investment funds, credit organizations, and securitization funds;
b. The Deposit Guarantee Fund founded based on the Republic of Armenia's law "On Guaranteeing Compensation of Bank Deposits";
c. Organizations making investments within the scope of programs conducted by the state or based on international agreements;
d. The group, the holding and other similar entity, whose main scope of operation is the production of goods or the provision of services (but not investments in real estate), and whose investments in securities are mainly aimed at preordaining or substantially influencing the decision of the managing bodies of the issuing entities. The regulations of the Central Bank can provide standards for detailing the provisions of this subpart.
2) Public fund: a fund other than a non-public fund;
3) Non-public fund: a fund, according to whose charter (rules), its issued securities cannot be underwritten through a public offer, including an offer made solely towards indefinite number of qualified investors;
4) Type of fund: a particular type of fund envisioned by this law based on its investment policy or the mode of issuing or repurchase of the fund's shares (stocks);

5) Standard fund: a not specialized type of fund (in case it has sub-funds, all its sub-funds'), whose investment policy complies to the requirements of Section 6 of this law, not including the non-standardized standard funds;
6) Specialized funds: real estate fund, a fund with additional risk (hedge fund), securitization fund, fund of funds, private equity fund, including venture fund, as well as any other type of fund whose total assets or a part thereof, but not less than 30 percent are targeted to be invested in certain type of assets;
7) Unclassified fund: standard (specialized) fund (in case it has sub-funds, all its sub-funds'), whose investment policy does not comply to the requirements of Section 6 of this law (to the requirements of classification of investment of assets stipulated for the particular type of specialized fund (excluding directly qualified investors' funds) by law or Central Bank regulations);
8) Contractual fund: group of assets that are pooled on the basis of contractual investment fund management contracts provided by the Civil Code of the Republic of Armenia;
9) Corporate fund: fund with the status of a legal entity, whose assets are being pooled only by underwriting stocks or other stock securities (hereafter: stocks);
10) Joint stock company with a floating capital: joint stock company that does not have a fixed capital, and whose capital in any particular moment is equal to its net asset value;
11) Joint stock company with a fixed capital: joint stock company that is not a joint stock company with a floating capital;
12) Open-end fund: type of fund, which has the obligation by rules stipulated by this law to repurchase its issued securities from its shareholder during any business day, based on the request of the later;
13) Time ranged fund: type of fund, which does not continuously repurchase its issued securities, but which is obliged to repurchase its issued securities from its shareholder during time ranges stipulated by its rules (charter), based on the request of the later;
14) Closed-end fund: type of fund, which does not have the obligation to repurchase its issued securities from its shareholder, excluding the cases stipulated by this law;
15) Sub-fund: group of assets separated within the same fund, which has unified rules of operation and defers from other assets of the fund by its investment policy, distribution of income policy, fees for underwriting and (or) repurchase of the fund's shares, it's currency of assets, premium of the manager or the consolidation thereof;
16) Fund share: possessory investment security issued by the contractual fund, that certifies the right of its possessor to own shares in that particular fund's assets (hereafter: share)
17) Fund asset: fund's money collected through underwriting the shares (stocks) of the fund, assets authorized by this law, in which the collected money and the income received through management are invested as well as other sums stipulated by law;
18) Liquid assets: monetary or other asset, which can be converted to monetary assets in a short period of time without significant losses for the owner;
19) Fund's net assets value: the difference between the sum of fund's market value of assets and its liabilities (or the deference of liabilities incurred by the manager for the account of contractual fund) incurred in cases and methods stipulated by its rules (charter);

20) Accounting value of share (stock): the ratio of the fund's (sub-fund's) net assets value and its outstanding shares (stock);
21) Fund shareholder: the owner of the funds outstanding securities issued in compliance with this law;
22) Fund manager: and entity that has acquired a fund manager's licensed in compliance with this law, which manages a fund founded in compliance with this law (hereafter: manager);
23) Fund custodian: an entity that provide custody services to the fund, who in compliance with this law and according to the contract with the fund (its manager) takes into custody, safeguards and records the asset of the fund, services the transactions connected with the management of the fund and transfers the assets based on those transactions, as well as within the scope of its authorization supervises the operations of the fund manager for the interest of the fund shareholders (hereafter: custodian);
24) Fund agent: an entity that sell's and (or) repurchases (redeems) the shares or stocks in accordance to the contract with the manager;
25) Qualified investors' fund: standard or specialized fund whose issued shares (stocks) in compliance with the law or its rules (charter) can be offered only to:
a. Qualified investors and (or)
b. Investors who individually have purchased a share (stock) having a greater value (in each offering the total value of shares (stocks) being purchased) than the value stipulated by Central Bank regulations;
26) Index fund: type of a standard fund, whose investment policy has the purpose of copying the structure certain stocks' or bonds„ index;
27) Pension fund: a fund, whose assets are formed from the collected (in accordance to the Republic of Armenia's law "On Funded Pensions") mandatory (mandatory pension fund) or voluntary (voluntary pension fund) funded payments and investments thereof, and whose shareholders receive payments from the assets of the fund (monetary value of the fund's assets is returned to the shareholder relative to the share owned in the fund) in the form of a pension after the pension eligibility age, as
well as in other case stipulated by the Republic of Armenia's law "On Funded Pensions".
2. In case the definition does not suggest otherwise, other definitions used in this law shall be understood according to the definitions stipulated by the Civil Code of the Republic of Armenia and Republic of Armenia's law "On Securities Market".

SECTION 2

THE FUNDS AND ITS ISSUED SHARES (STOCKS)

CHAPTER 2

GENERAL PROVISION ON FUNDS

ARTICLE 4. THE STATUS AND TYPES OF FUNDS

1. The fund (including public funds) may be founded and may conduct its business stipulated by this law only after the registration of the fund (its rules) by the Central Bank.
2.The fund (including public funds) may be founded as a contractual or corporate fund.
3. The fund may be standard or specialized in accordance with its investment policy.
4. In accordance with its rules on issuance and repurchase of share (stocks) the fund may be open-end, closed-end or time ranged.
5. The mandatory pension fund may only be an open-end contractual fund.
6. The fund cannot engage in business not stipulated by this law.

ARTICLE 5. LIMITATIONS ON THE USAGE OF THE BRAND NAME OF THE FUND AND WORDS SUCH AS “INVESTMENT FUND”, “PENSION FUND” AND DERIVATIVES THEREOF

1. The funds founded in accordance to this law should not use in their brand names misleading words that may misrepresent the financial strength, the legal status or the business conducted by the fund.
2. The brand name of the contractual fund shall include the brand name of its manager. The funds managed by the same manager may not have the same brand names or brand names that are confusing their similarity.
3. It shall be prohibited for an entity that has not been registered by the Central Bank to use the words “investment fund” or “pension fund”, their conjugated forms, Armenian transcription, translation or their combination, as well as words that within business traditions directly or indirectly describe funds„ business in their names, advertisements, public offerings, as well as in any way supporting the advertisement thereof, unless words “investment fund” or “pension fund” or their derivatives or the usage thereof does not imply the investment fund and pension fund business stipulated by this law and (or) the Republic of Armenia’s law “On Funded Pensions” and if the right to use thereof has not been provided by law or international agreement.

ARTICLE 6. PLACE OF BUSINESS OF THE FUND

1. Place of Business of the fund is the place of business of its manager.

ARTICLE 7. THE AGENT

1. The Fund may have an agent (agents).
2. Only the entity that provides investment services according to the Republic of Armenia’s “Law on Securities Market” and has entered into a service agreement (stipulated by Article 3 of this law) with the manager shall have the right to be an agent.
3. The agent shall sell and (or) repurchase (redeem) the shares or stock in name and on the account of the fund (in case of a contractual fund in name and on the account of the manager), by accepting and transferring to the manager the respective requests and (or) by accepting, transferring and paying the monetary assets, and in the case of a contractual fund, mentioning that it is conducting its business as the fund’s agent.

ARTICLE 8. THE NON PUBLIC FUND

1. A non-public find cannot have the organizational status of an open-end joint stock company.
2. The shares (stock) of a non-public fund cannot be underwritten publicly.
3. The number of shareholders of a non-public fund may not be more than 49. In case the number of shareholders of a non-public fund surpasses the threshold of 49 shareholders, within a time period of 90 days it shall reregister as a public fund or respectively decrease the number of its shareholders. Otherwise it shall be liquidated through a judicial action.
4. By the request of the Central Bank the non-public fund shall submit to the former the reports stipulated by Article 92 of this law.
5. Articles 21 and 22, parts 3, 4, and 5 of Article 23, parts 4, 5, and 6 of Article 24, as well as Section 8 of this law envisioned for qualified investors funds shall be applied on the registration of a non-public fund (rules of contractual funds), the amendments and (or) additions to its charter (rules), and the rules and requirements of reorganization of a non-public fund, change of its type and liquidation (suspension), excluding the limitations on reorganization and change of type of the fund, as well as the provisions stipulating the basis of liquidation (suspension). In addition, the provisions applicable according to this part on the custodian are applicable on non-public funds only in case there is a separate custodian. The provisions concerning the manager also are applicable on the entity (independent of the fact that in compliance with this law the manager is recognized as such) that has the right to conduct the executive functions of the non-public fund only in case it is feasible. In addition, during the process of registration of the non-public fund the, information stipulated by Central Bank regulations shall also submitted to the Central Bank. Any amendment to already submitted information should also be submitted to the Central Bank within ten calendar days from the date of the amendment.

ARTICLE 9. THE UNCLASSIFIED FUND

1. The rules (charter) of the unclassified fund shall mention the fact the fund is unclassified.
2. The unclassified fund is considered to be a qualified investors fund.

ARTICLE 10. CONTRACTUAL AND CORPORATE FUNDS

1. A contractual fund shall be managed by the manager in accordance with the rules (fund’s management contracts) of the fund.
2. The ownership right of the contractual fund shareholder towards the fund’s assets is limited to alienation, transfer on the basis of succession, receiving dividends from the income derived from the management of the fund’s assets, as well as in accordance to the rules and requirements stipulated by this law, the right to receive its share from the fund’s assets in case of suspension. The ownership right of the closed-ended fund shareholder also includes the right to bring forward proposals concerning management

issues of the fund's assets stipulated by this law and (or) under the authority of the fund's general meeting of shareholders (hereafter: fund's meeting) according to the fund's rules, as well as the right to participate in the fund's meeting and take decisions according to the quantity of votes equal to the quantity of shares and their calculating value, excluding the cases stipulated by part 6 of Article 50 of this law.
3. The assets of the contractual fund, the securities, other property and its rights acquired through those assets, shall be separately recorded and registered in the name of the fund manager, without the manager acquiring ownership rights towards those.
4. The contractual fund manager in connection with the management of the fund enters into transactions on its behalf, mentioning that it operates as the manager of the particular fund and that the liabilities arising from those transactions will be honored exclusively on the account of the fund's assets.
5.The respective provisions stipulated by the Civil Code of the Republic of Armenia concerning the contractual fund manager, party to the contractual fund management contract are applicable on the rules and requirement of honoring of liabilities taken by the manager, in connection with contractual fund management transactions.
6. The corporate fund can only be a joint stock company both with a fixed or a floating capital, and in the case of additional risk funds or private equity funds, including venture funds, as a partnership founded on trust.
7. The manager of the corporate fund shall enter into transactions in connection with fund management only on behalf of, and on the account of the later. The manager of the fund founded as a partnership founded on trust carries additional personal liability with its own property for the liabilities of the fund.

ARTICLE 11. OPEN-ENDED, CLOSED-ENDED AND TIME RANGED FUNDS

1. The open-end fund can only be contractual fund or a joint stock company with a floating capital.
2. The closed-end or time ranged funds can only be contractual funds or joint stock companies with fixed or floating capital, and in the case of additional risk funds and private equity funds, including venture funds, also as a partnership founded on trust. The time ranged corporate fund, whose charter stipulates the repurchase time range more than once per annum, cannot be a joint stock company with a floating capital.

ARTICLE 12. THE SUB-FUNDS

1. The contractual fund can be divided into sub-funds.
2. The rules of the fund shall stipulate the peculiarities of each of the sub-funds' investment policy, distribution of income policy, fees for underwriting and (or) repurchase of the fund's shares, currency of the assets of the sub-funds and the premium of the manager (in case there exists).
3. The shareholder of each fund can submit a request on assets only of its sub-fund. In the scope of relations regulated by parts 4 and 5 of Article 10 of this law is considered as a distinct contractual fund.
4. The manager can alter the investment policy of the sub-fund or join the sub-fund to another sub-fund in the same fund, in accordance with rules stipulated by this law for

merging and changing the type of fund, by amending the relevant rules of the fund.
5. In case the minimum value stipulated by this law of the net asset value of the sub-fund is not achieved within 6 months from the date of registration of the fund's rules, or in case the net asset value of the sub-fund falls below the minimum value set by this law for more than 60 calendar days or in case the net asset value of the sub-fund decrease more than 1/2 of the minimum value set by this law, the sub-should be suspended and its assets should be returned to the shareholders of the sub-fund in accordance with the rules stipulated by this law for suspending a contractual fund.
6. The clauses of this law covering the accounting and publishing the fund's net asset value and calculation value, as well as clauses concerning the fees of underwriting and repurchase (redemption) are applicable to accounting and publishing the net asset value and calculation value, as well as the fees of underwriting and repurchase (redemption) of sub-funds.

ARTICLE 13. SHAREHOLDING IN THE FUND

1. Shareholding in the fund is certified by the funds share or stock.
2. The share of the shareholder of the contractual fund is determined by the ratio of quantity of shares owned by the shareholder and the total share outstanding.
3. The share of the shareholder in the fund is determined by the ratio of quantity of shares owned by the shareholder and the total share outstanding, multiplied by the ratio of the net asset value of the particular class of shares and the net asset value of the fund, in case the contractual fund has various classes of shares.
4. The fund custodian, the fund registrar (in case this function is done by a person other than the manager), the independent auditor of the fund and persons associate with these persons cannot be shareholders of the fund.
5. Unless otherwise stipulated by the respective law regulating the operations of the particular fund, the share (stocks) issued by unclassified funds, as well as specialized funds, excluding the shares (stocks) issued by real estate funds, securitization funds, fund of funds, may be offered only to:
1) Qualified investors;
2) Investors who individually have purchased a share (stock) having a greater value (in each offering the total value of shares (stocks) being purchased) than the value stipulated by Central Bank regulations;

ARTICLE 14. PREFERENCE RIGHT

1. The shareholders of the fund (excluding funds having the organizational status of a partnership founded on trust) do not have preference rights on the newly issued shares (stock).

ARTICLE 15. TRANSFERABILITY OF SHARES (STOCKS)

1. The rules (charter) of the closed-end fund cannot limit the right of the shareholders to sell their shares (stocks) in regulated markets.
2. The shares (stocks) of the closed-end fund are subject to mandatory authorization for

sale in the regulated market.
3. The shares in a pension fund may be transferred to another person only according to the rules stipulated in the Republic of Armenia's law "On Funded Pensions".

ARTICLE 16. FUND'S NET ASSETS

1. The minimum value of fund's and each sub-fund's net asset value shall be provided by Central Bank regulations. This requirement shall be applicable 6 months after the registration (coming into force the amendment to the fund's rules in connection with the creation of a sub-fund) of the fund (fund's rules).
2. The method of calculation of the fund's net asset value shall be provided by Central Bank regulations.
3. The total calculating value of a fund's underwritten and unredeemed shares (stocks) shall always be equal to the net asset value of the fund.
4. The manager shall immediately inform the Central Bank and take measures to eradicate the violation in case the net asset value of the fund falls below the minimum set by part 1 of this article.

ARTICLE 17. FEES AND EXPENSES LEVIED ON FUND ASSETS

1. Only the fees that are stipulated by law may be levied of fund's assets (including manager's and custodian's premiums and fund's taxes).
2. Only those expenses may be made from the fund's assets that are directly connected to the management and custody of the fund and are stipulated by the fund's rules (charter).
3. The fees and expenses envisioned in parts 1 and 2 of this article may not exceed the maximum level stipulated in the funds rules (charter).
4. Central Bank regulations may stipulate the maximum levels of fees and expenses envisioned in parts 1 and 2 of this article. Those levels may differ based on the type of the fund.

ARTICLE 18. FUND'S DIVIDENDS

1. The fund (excluding pension funds) may distribute among its shareholders its net income in the form of dividends, in cash and (or) in case stipulated by its charter (rules) in its issued shares (stocks).
2. Corporate fund shall not create a reserve capital.

ARTICLE 19. DIVISION AND SEPARATION OF FUND'S ASSETS

1. It is forbidden to divide a contractual fund's assets or separate a shareholder's part, excluding cases when in conformity with rules stipulated in this law the fund's assets are distributed among the shareholders, when the fund suspends its operations.
2. In case the fund's shareholder does not own any other property available for seizure, shares (stocks) in a fund owned by the shareholder may be seized to pay the shareholder's liabilities (excluding shares owned in a pension fund), provided the

difference between share's accounting value and shareholder's liability is compensated, including the expenses in associated with any repurchase.

ARTICLE 20. REORGANIZATION OF THE FUND

1. A fund founded according to this law me be reorganized only to a fund envisioned by this law. A public fund may not be reorganized to a non-public fund. A pension fund may not be reorganized to a fund other than a pension fund.

CHAPTER 3

FOUNDATION OF A FUND AND LEGAL BASIS OF ITS OPERATION

ARTICLE 21. FOUNDATION OF A FUND

1. A fund shall be deemed founded from the moment the Central Bank registers the fund (in the case of a corporate fund) or its rules (in the case of a contractual fund).
2. For registering the fund (fund's rules) the founder (founders) or the manager (in the case of a contractual fund the manager) in the form and manner prescribed by Central Bank regulations shall submit to the Central Bank:
1) The application for registering the fund (fund's rules);
2) The decision of the founder (founders' meeting) on founding a fund (in the case of a corporate fund);
3) The manager's board of directors decision on founding (excluding the cases when the corporate fund is being founded not on the initiative of the manager) and managing the particular fund;
4) The draft of the fund's charter (rules) in 6 copies;
5) The manager's board of directors decision on approving the fund's rules (in the case of a contractual fund);
6) The draft of the fund management contract that is presented by the manager and approved at the founders meeting (decision of the founder);
7) The draft of the fund custody contract entered into by the manager and the custodian (in the case of a contractual fund) or the fund's custody contract that is presented by the custodian and approved (in the case of a corporate fund) at the founders meeting (decision of the founder);
8) The decision of the founder (founders meeting) (in the case of a corporate fund) or the fund's meeting (in the case of a contractual fund, whose rules do not envisage that in that fund a fund meeting shall not be called) on approving the fund's charter (rules) and draft custodian contracts;
9) The fund's prospectus (excluding the qualified investors fund and open-end fund);
10) The payment slip of the state duty;
11) Other documents stipulated by Central Bank regulations.
3. The Central Bank may request to other additional information and documents to verify the documents mentioned in part 2 of this article.

4. The board of the Central Bank shall take the decision to register the fund (fund's rules) in case all necessary documents and information envisaged by part 2 and 3 of this article are submitted, and there are no basis stipulated by this law to deny the registration of the fund's rules.
5. The board of the Central Bank shall take the decision to register the fund (fund's rules) or refuse the registration within 30 business days (10 business days in the case of qualified investors fund) after submission of the application by envisaged by part 2 of this article.
6. The Central Bank shall provide the registration certificate to the person who has submitted the application within 5 business days upon the adoption of the decision
7. The Central Bank shall, within 5 business days after making the decision on the registration of the fund, notify the state authorized body for registration of legal entities to make the relevant records on the registration of fund (fund's rules).
8. Upon the registration in the Central Bank the fund shall acquire a status of legal entity.

ARTICLE 22. GROUNDS FOR REFUSAL THE REGISTRATION OF THE FUND (FUND'S RULES)

1. The Central Bank shall refuse to register the fund (fund's rules), if:
1) The submitted documents do not meet the requirements of this law and (or) the requirements of regulations adopted based on this law, or the documents submitted Contain inaccurate or false information or there are deficiencies in the submitted documents and those deficiencies have not been corrected by the person has submitted the documents in the time period stipulated in part 1 of article 111 of this law;
2) The management contract does not meet the requirements of this law and regulations adopted based on this law (in the case of a corporate fund);
3) The custody agreement and (or) the prospectus do not meet the requirements of this law and regulations adopted based on this law;
4) The charter of the fund (fund's rules) are in contradiction with the law, the regulations adopted based on the law and do not stem from the interests of the shareholders.
When registering a qualified investors fund (fund's rules), the content of the fund's charter (fund's rules), fund's draft management contract, and fund's draft custody contract shall not be reviewed.

ARTICLE 23. CORPORATE FUND'S CHARTER

1. In addition to the requirements stipulated by the Republic of Armenia's law "On Joint Stock Companies" for the charters of legal entities having the particular organization-legal form, the corporate fund's charter shall include:
1) The type (according to its investment policy and according to its method of issuing and repurchasing shares (stocks)) and the status of the fund;
2) The fund's investment policy, including the directions of its investments, limits and other special (geographic, sectoral, etc.) limitations, the summarized description of risks associated with the investments.
3) The purposes of making transactions with derivatives, the authorized types of

derivative instruments, limits, the authorized maximum levels of risks and the method of calculating the later, in case the fund's assets based on the fund charter may be invested in derivative instruments;
4) The rules and requirements for issuing, underwriting and repurchasing (redeeming) the fund's stocks, as well as the rules and requirements for suspending the issuance, underwriting and repurchasing (redeeming);
5) The policy of distributing the fund's income;
6) The types, amounts and the method of calculating the premiums and other fees payable to the fund's manager and custodian on the account of the fund's assets;
7) The types and the maximum levels of the expenses to be made on the account of the fund's assets;
8) The rules and timeframes for deciding and publishing the calculating value of the share and underwriting and repurchasing (redeeming) prices;
9) The rules for assessing the fund's assets calculating the fund's net assets value;
10) The rules and requirements for changing the manager or the custodian;
11) The list of those functions of the fund that may be outsourced to a third person (in case such a possibility is envisaged);
12) The rules for publishing information;
13) The rules for amending the charter;
14) The rules for changing the type of the fund, reorganization and liquidation of the fund;
15) Other provisions envisaged by this law.
2. Central Bank regulations may stipulate other provision and information that shall be included in the open-end corporate fund charter.
3. In case amendments and (or) additions are made to the fund's charter, those amendments and (or) additions shall be submitted to the Central Bank within 10 days. The submitted amendments and (or) additions shall be registered by the Central Bank Board according to Central Bank regulations, and shall come into force from the moment of registration by the Central Bank. Changes of the capital of an open-end corporate fund due to issuing and repurchasing (redeeming) share s shall not result in changes of the fund's charter.
4. The Central Bank Board shall deny the registration of the amendments and (or) additions of the fund's charter, if those are in contradiction with the law, the regulations adopted based on the law and (or) do not comply with the interests of shareholders.
5. The provisions of parts 3 and 4 of this article concerning amendments and (or) additions of the fund's charter do not apply to qualified investors funds. The amendments and (or) additions of those funds charter shall be registered by the decision of the Chairman of the Central Bank within three business days from the date of submission to the Central Bank, without reviewing the content of those amendments and (or) additions, in case the shareholder of the fund does not require the Central Bank to review the compliance of those to the law and regulations adopted based on the law.

ARTICLE 24. THE RULES OF THE CONTRACTUAL FUND

1. The rules of the contractual fund should at least include:
1) The name of the fund and the maximum timeframe of its operation (if its operation is

limited by a certain amount of time), the name and the place of business of the manager, the custodian and the registrar (in case it is a person other than the manager);
2) The type (according to its investment policy and according to its method of issuing and repurchasing shares (stocks)) and the status (contractual fund) of the fund;
3) The fund's investment policy, including the directions of its investments, limits and other special (geographic, sectoral, etc.) limitations, the summarized description of risks associated with the investments;
4) The purposes of making transactions with derivatives, the authorized types of derivative instruments, limits, the authorized maximum levels of risks and the method of calculating the later, in case the fund's assets based on the fund charter may be invested in derivative instruments;
6) The classes of shares and the rights assured with each of those, the face value of each share (in case it exists);
7) The policy of distributing the fund's income;
8) The types, amounts and the method of calculating the premiums and other fees payable to the fund's manager and custodian on the account of the fund's assets;
9) The rules and timeframes for deciding and publishing the calculating value of the share and underwriting and repurchasing (redeeming) prices;
10) The rules for assessing the fund's assets calculating the fund's net assets value;
11) The rules for publishing information;
12) The rules for amending the fund's rules;
13) The rules and requirements for changing the manager or the custodian;
14) The list of those functions of the fund that may be outsourced to a third person (in case such a possibility is envisaged);
15) The rules and requirements for issuing, underwriting and repurchasing (redeeming) the fund's stocks, as well as the rules and requirements for suspending the issuance, underwriting and repurchasing (redeeming);
16) The rules and requirements for exchanging shares, if such an exchanged is envisaged;
17) The rights and obligations of the fund's shareholders and manager;
18) The minimum frequency of calling a meeting, rules for administering the meeting and taking decisions, rules and cases of calling an extraordinary meeting, as well as the extraordinary authorities of the meeting of a closed-ended fund, or a note stating that in that particular fund no fund meeting shall be called;
19) The rules for changing the type of the fund, merger and liquidation of the fund;
20) Other provisions envisaged by this law.
2. Central Bank regulations may stipulate other provision and information that shall be included in the open-end contractual fund rules.
3. The acquisition of a share shall result in the acceptance of the fund's rules by the fund shareholder.
4. In case amendments and (or) additions are made to the fund's rules, those amendments and (or) additions shall be submitted to the Central Bank within 10 days. The submitted amendments and (or) additions shall be registered by the Central Bank Board according to Central Bank regulations, and shall come into force from the moment of registration by the Central Bank Board, excluding the case stipulated in

Article 71 of this law.
5. The Central Bank Board shall deny the registration of the amendments and (or) additions of the fund's rules, if those are in contradiction with the law, the regulations adopted based on the law and (or) do not comply with the interests of shareholders.
6. The provisions of parts 4 and 5 of this article concerning amendments and (or) additions of the fund's charter do not apply to qualified investors funds. The amendments and (or) additions of those funds' rules shall be registered by the decision of the Chairman of the Central Bank within three business days from the date of submission to the Central Bank, without reviewing the content of those amendments and (or) additions, in case the shareholder of the fund does not require the Central Bank to review the compliance of those to the law and regulations adopted based on the law.

ARTICLE 25. THE MANAGEMENT CONTRACT OF THE CORPORATE FUND

1. The contract between the corporate fund and the manager should at least include:
1) The rights and obligations of the fund's manager, including the rights and obligations of the fund's meeting (in case it exists) and custodian towards the manager;
2) The amount of premiums payable to the manager and the rules for calculating the premium;
3) The body, structure and the market value of the assets being transferred to the manager;
4) The information to be submitted by the manager to the fund;
5) The rules and basis for amending and halting the agreement.
2. The manager may withdraw from the management contract of the corporate fund only in the cases stipulated in article 71 of this law.
3.The corporate fund (excluding the fund having the status of a partnership based on trust) may unilaterally revoke the fund management contract signed with the manager only on the basis of part 4 of this article, for which the preliminary consent awarded on the basis of Central Bank regulations is necessary. Without the existence of the basis of part 4 of this article the fund management contract signed with the manager may be unilaterally revoked only if the fund acquires the preliminary consent of the Central Bank Board and not earlier than 60 calendar days after the fund's meeting takes such a decision. The preliminary consent of the Central Bank envisaged by this part is not required for qualified investors funds.
4. By the request of the Central Bank the corporate fund (excluding the fund having the status of a partnership based on trust) shall be required in the timeframe stipulated by the Central Bank to revoke the fund management contract signed with the manager for the purpose of protecting the legal interests of the fund's shareholders, in case the manager does not perform its duties stipulated by law, regulations adopted based on the law, or the fund's charter or has repeatedly or malevolently or grossly violated the requirement of proper fulfillment of those.
5. The operation of a corporate fund's management contract ends from the moment the manager's license, or in the case of a pension fund, the authorization is revoked or the fund is liquidated.
6. In case amendments are made to the corporate fund's management contract, or in case a fund management contract is signed with the new manager, those amendments

(the contract) shall be submitted to the Central Bank within 10 days. The submitted amendments (the contract) shall be registered by the Central Bank Board according to Central Bank regulations, and shall come into force from the moment of registration by the Central Bank Board, excluding the case stipulated in Article 71 of this law.
7. The Central Bank Board shall deny the registration of the amendments to the fund management contract stipulated in part 6 of this article or the new contract, if those are in contradiction with the law and the regulations adopted based on the law.
8. The provisions of parts 6 and 7 of this article concerning amendments to the fund's management contract and the fund management contract signed with the new manager do not apply to qualified investors funds. The amendments to the fund's management contract and the fund management contract signed with the new manager of those funds shall be registered by the decision of the Chairman of the Central Bank within three business days from the date of submission to the Central Bank, without reviewing the content of those, in case the shareholder of the fund does not require the Central Bank to review the compliance of those amendments or contract to the law and regulations adopted based on the law.

ARTICLE 26. THE MANAGEMENT CONTRACT OF THE CONTRACTUAL FUND

1. The conditions of the management of the contractual fund shall be stipulated by the Fund's rules.
2. Joining to the contractual fund management contract is done by acquiring a share by the fund shareholder.
3.The management contract of the contractual fund ends by alienating the share, including redeeming it, as well as by discontinuing the existence of the fund.
4. The manager may withdraw from the contractual fund management contract only in the case envisaged by article 71 of this law, as well as withdraw from the contractual fund management contract on the request of the Central Bank in the cases stipulated by part 5 of this article.
5. The Central Bank, on its initiative or by the or based on a motion submitted by the fund's custodian ma request the manager to withdraw from the contractual fund management contract, for the purpose of protecting the legal interests of the fund's shareholders, in case the manager does not perform its duties stipulated by law, regulations adopted based on the law, or the fund's charter or has repeatedly or malevolently or grossly violated the requirement of proper fulfillment of those.
6. In addition to cases envisaged in parts 4 and 5 of this article, the contractual fund management contract is amended by the form of changing the manager party to the contract, in the case the manager's license or the authorization in the case of a pension fund is revoked, as well as in the cases when the management of the fund is transferred to another manager in compliance with rules stipulated by this law and when another manager joins the managed fund.

CHAPTER 4

THE SHARES AND THE ISSUANCE, CIRCULATION AND REDEMPTION OF THE

SHARES

ARTICLE 27. THE FUND'S SHARES (STOCK)

1. The contractual fund issues shares, which certify the participation of the fund's shareholders in the fund's assets.
2. The fund (excluding compulsory pension funds) may issue different classes of shares, which may differ by the face value of the share, the votes certified by the shares (or the absence thereof), the amount of fees and income paid to the shareholders. Varying classes of share shall differ by their titles.
3. The same class of shares of the same fund gives their owners the same rights. If the share has a face value, then the same class of shares shall have the same face value.
4. A person is entitled to acquire fractional number of shares.
5. A joint stock company corporate fund may only issue ordinary registered shares.
6. The shares (stocks) of an open-end fund may have no face value.

ARTICLE 28 THE ISSUANCE AND UNDERWRITING OF THE SHARES (STOCKS)

1. The shares (stocks) of an open-end fund shall be issued continuously, ensuring their everyday supply in the primary market. The value of the shares (stocks) of an open-end fund shall not be fixed.
2. Excluding the case envisaged in part 3 of this article, the share (stock) shall be underwritten with the underwriting price of the share (stock) published on the day a purchasing (underwriting) request is made (but not earlier than payment against the share (stock) is received), and in the case the request is made (payment is received) past the hour stipulated in the funds rules (charter), it shall be underwritten with the price published at the end of next business day, which shall be calculated according to article 29 of this law. The requirement stipulated in this part shall apply on shares (stocks) being underwritten by closed-end funds, if otherwise is not stipulated by the rules (charter) of the particular fund.
3. The underwriting price of the share (stock) of a fund underwriting for the first time shall be decided by the fund manager.
4. Payment against shares (stocks) shall be made by cash.

ARTICLE 29. CALCULATION AND PUBLICATION OF THE CALCULATING VALUE, THE UNDERWRITING AND REDEEMING PRICES OF THE SHARE (STOCK)

1. At the end of each business day and at the hour stipulated by fund's rules (charter) the manager of the open-end fund shall calculate and publish the calculating value, the underwriting and redeeming prices of the share (stock) of the open-end fund it manages.
2. The manager of a close-ended (time framed) fund shall, the business day preceding the underwriting (including the repurchase in the case of time framed funds) day, and in the course of underwriting of shares (stock) (in the time frame when the shares (stock) are repurchased) at the end of each business day, as well as at the end of the day and

the successive business day of the close-ended fund repurchasing (redeeming), at a certain hour stipulated in the rules (charter) of the fund, decide and calculate the calculating value, and the underwriting and repurchasing prices of the share (stock) of the close-ended or time framed fund that it manages.
3. Regulations of the Central Bank shall stipulate the minimum frequency of calculating and publishing the calculating value, the underwriting and repurchase prices of the close-ended (time framed) funds' shares (stocks).
4. The published underwriting and repurchase (redemption) prices of the shares (stocks) shall be equal to the calculating value of the shares that has been calculated at the time of publication, taking into account the clauses of parts 5 and 6 of this article. The published underwriting price of the shares (stocks) being additionally underwritten by the close-ended fund may not be less than the calculating value of the shares that has been calculated at the time of publication.
5. The published underwriting price of the share (stock) may exceed the calculating value of the shares that has been calculated at the time of publication, by an amount equal to the fees (interest) and expenses stipulated in the rules (charter) of the fund, excluding the cases when this have been accounted for at the time of calculating the net assets value of the fund (sub-fund).
6. The published repurchase price of the share (stock) may be less than the calculating value of the shares that has been calculated at the time of publication, by an amount equal to the fees (discount) and expenses stipulated in the rules (charter) of the fund, excluding the cases when this have been accounted for at the time of calculating the net assets value of the fund (sub-fund).

ARTICLE 30. PAYMENTS FOR UNDERWRITING AND REPURCHASING (REDEEMING) SHARES (STOCKS)

1. Fees (interest, discount) being assessed for underwriting and repurchasing (redeeming) shares (stocks) shall be paid on the account of person purchasing (requesting repurchase) shares (stocks).
2. The amount of fees (interest, discount) being assessed for underwriting and repurchasing (redeeming) shares (stocks) shall be stipulated by the fund's rules (charter) in the form of interest or fixed amount calculated based on the accounting value of the share (stock). The Central Bank regulations may stipulate the maximum amounts of those fees.
3. No underwriting fee shall be assessed when the income of the fund is distributed through issuance of fund shares (stocks).

ARTICLE 31. THE EXCHANGE OF SHARES

1. In case the possibility of exchange of shares is envisaged by the fund's rules, the shares may be exchanged with other classes of shares of the same fund or with other shares issued by a similar type of fund that has the same method of issuance and repurchase, which is managed by the same manager. The shares of a pension fund may be exchanged with the shares of a pension fund being managed by another manager. The shares of a mandatory pension fund may be exchanged only with the

shares of a mandatory pension fund and shares of a voluntary pension fund only with those of a voluntary pension fund.
2. In compliance with the fund's rules the shares of a sub-fund may be exchanged with the shares of another sub-fund of the same fund.
3. The exchange of the shares shall be carried out with the last repurchase (redemption) and underwriting prices published according to the rules of the fund, which are calculated by the method stipulated in this section regulating the repurchase (redemption) and underwriting prices.
4. The exchange of the shares shall be carried out only on the request of the shareholder.

ARTICLE 32. REPURCHASE (REDEMPTION) OF SHARES (STOCKS)

1. Each business day, the shareholder of the open-ended fund shall have the right to present the shares (stocks) it owns to the respective fund for repurchase. The open-ended fund by the request of the fund's shareholder shall repurchase (redeem) its issued shares (stocks) in the time frame stipulated in its rules (charter). That time period shall be calculated from the day such a request is made and may not exceed three business days.
2. The time-ranged fund by the request of the fund's shareholder shall repurchase (redeem) its issued shares (stocks) in the time frame stipulated in its rules (charter), but not later than three business days from the moment it accepts the repurchase (redemption) request. The acceptance period of the repurchase (redemption) request of the shares of the time-ranged fund may not be less than three days, and the frequency of time ranges not less than once per year.
3. The shareholders of the close-ended contractual fund who at the fund meeting have voted against the merger of the fund or those changes and amendments that limit their rights or have not participated in the voting process of that particular issue, in the cases envisaged by article 71 of this law have the right to submit a request for repurchase of their shares, in accordance with rules and requirements of the Republic of Armenia law on "Joint Stock Companies", in case no other regulation has been envisaged by this law, as well as taking into account the peculiarities of a contractual fund.
4. The stock of a close-ended corporate fund are subject to repurchase in case and by rules stipulated by the Republic of Armenia law on "Joint Stock Companies" and article 71 of this law.
5. The fund's share is subject to redemption (repurchase) with the repurchase price that is calculated according to the rules stipulated in article 29 of this law, and published on the day the fund's shareholder submits a request of repurchase (redemption), and in the case the request is made past the hour stipulated in the fund's rules (charter) with the price published at the end of the next business day.
6. During repurchase (redemption) the repurchase (redemption) price of the share (stock) is paid in cash from the fund's assets.
7. The repurchased share (stock) does not give any voting rights, shall not be accounted for during counting of the votes, as well as in the calculating value of the share (stock), and no dividends shall be paid against it. The repurchase (redeemed) share may not be resold and it is subject to redemption.

8. In the case of repurchase (redemption) of pension fund shares (stocks), the amount according to this article subject to payment to the fund shareholder shall not be paid to the person who has submitted the repurchase of shares (stocks) request, but on the account of those and in the name of that person, shares (stocks) of another pension fund chosen by the later at the time of repurchase shall be acquired, in case other shares (stocks) repurchase rules are not stipulated by the Republic of Armenia law “On Funded Pensions”.

ARTICLE 33. SUSPENSION OF ISSUING, UNDERWRITING AND REPURCHASING (REDEEMING) SHARES (STOCKS)

1. The Central Bank with its decision may instruct the manager (the corporate fund) in the time frame stipulated in the decision, but no longer than the elimination of the causes of the decision, to suspend the issuance, underwriting or repurchase (redemption) of the shares (stock), in case the requirements stipulated in this law or the regulations adopted based on this law have been or may be violated, in case that is essential for the protection of the interests of the investors.
2. In case it is stipulated in the fund’s rules (charter), the manager of an open-ended or a time framed fund, on the basis established by the Central Bank may suspend the repurchase (redemption) of the shares (stock) for not more than 3 months’ time, previously informing the Central Bank and the custodian about the suspension of the repurchase (redemption) of the shares, by bringing to their attention the basis for suspension, as well as within 3 days publishing the information about the suspension in a national newspaper that has a circulation of more than 3000 issues. The requirement of informing and publishing stipulated in this part does not apply on qualified investors fund.
3. The rules of specialized funds may stipulate longer periods of suspension of redemption (repurchase) of shares (stocks), but not more than 6 months, and 1 year in the case of qualified investors funds.
4. The Central Bank with its own or the custodian’s initiative may request the manager to resume the repurchase (redemption) of the fund’s shares, if the bases for suspension are not present.

ARTICLE 34. PROHIBITION OF ISSUING AND REPURCHASING (REDEEMING) SHARES (STOCKS)

1. It shall be prohibited to issue and repurchase (redeem) shares (stocks) within the period when:
1) There is no manager or custodian,
2) The manager or custodian is bankrupt and or are being liquidated,
3) The fund is in the process of discontinuation (liquidation).

SECTION 3

INVESTMENT POLICY OF THE FUND

CHAPTER 5

PRINCIPLES OF INVESTING FUND'S ASSETS AND MANAGING RISKS

ARTICLE 35. PRINCIPLES OF INVESTING THE ASSETS

1. Funds' assets may be invested only in those assets, which have been envisaged by the fund's rules or charter, taking into account the requirements on the investment policy of the particular fund stipulated by this law.
2. For the purpose of efficiently distributing the risks, the fund's investments shall be sufficiently diversified based on the particular type of fund.

ARTICLE 36. MANAGEMENT OF RISKS

1. The manager shall establish such a risk management system, which will allow at any point in time to supervise and assess the risk of the positions and their share in the total risk of the portfolio. The manager shall establish such a process, which will ensure the proper and independent assessment of the value of derivative instruments circulating in the unregulated market.
2. The requirements on the risk management system shall be stipulated by the Central Bank.
3. The manager shall ensure that the total risk associated with the derivative instruments in which the fund's assets have been invested do not exceed the fund's total net asset value, excluding the cases of funds with additional risk. When calculating the risk envisioned in this paragraph, the current value of core assets of the derivative instruments, the risk associated with the other party of the transaction, the movements in the market and time of closing the positions shall be taken into account.

ARTICLE 37. PROHIBITION ON INVESTMENT OF FUND'S ASSETS AND OTHER REQUIREMENTS ON THOSE INVESTMENTS

1. Excluding the case envisioned in part 2 of this article the assets of the fund may not be invested in securities issues or sold by or assets owned by the fund's manager, custodian, their officers and directors, as well as persons associate with them.
2. The assets of the fund may be invested in shares of other funds being managed (directly or through outsourcing) by the same fund (or a person associated with the manager) in case the following requirements are met simultaneously:
1) The investment policies of the funds materially differ;
2) Such a possibility is envisaged by the fund's riles (charter);
3) The manager is not charging underwriting and (or) repurchasing (redemption) fees for this.
3. The manager that invests the material portion of the fund's assets in another fund shall disclose in the prospectus of that fund the maximum amount of management fees that may be assessed by the managers that manage the funds in whose shares the

assets of that fund may be invested. The manager shall also disclose in the annual report the ratio of its management fees and the fees that are assessed by the managers that manage the funds in whose shares (stocks) the assets of the fund are being invested.
4. The assets of that fund may not be invested in equity shares of non-commercial organizations.
5. On the account of the assets of the fund no credits or guarantees shall be provided to or received from persons envisaged in part 1 of this article.

CHAPTER 6

INVESTMENT POLICY OF THE STANDARD FUND

ARTICLE 38. INVESTMENT POLICY OF A STANDARD FUND

1. The requirements of this section apply only on standard funds, excluding qualified investors fund.

ARTICLE 39. LIMITATIONS ON CREDITS AND OTHER TRANSACTIONS

1. Excluding the cases envisaged by part 2 of this article, the fund’s assets might not be formed through debt. The fund’s assets may not be formed through the sale of securities or other financial instruments envisaged by article 4o of this law, which the fund does
not possess at the time of the transaction (short sale).
2. The manager may take in debt by an amount not exceeding the 10 percent of the fund’s assets, for which the debt is being taken, if:
1) If the debt is short-term (not exceeding three months);
2) It has the purpose of acquiring property necessary directly for the corporate fund’s operations.
3. If otherwise is not envisaged by this law, not credits, guarantees or assurance may be provided / extended on the account of the assets of the fund.
4. The fund’s assets may not be collateralized or otherwise be subject to lean. The requirement envisaged in this part does not limit the right to enter into repo (reverse repo) transactions on the account of the fund’s assets, in case it is envisaged by the rules (charter) of the fund, and if as a result of such transaction the limits envisaged by this section are not violated.

ARTICLE 40. INVESTMENT OF FUND’S ASSETS

1. Fund's assets may be invested only in the following assets:
1) in securities (hereinafter in this section, securities) that are stipulated by sub-points “a”, “b”, “c” and “f” of point 1 of article 3 of the Republic of Armenia Law "On Securities Market”, which are included in the list established by the Central Bank, and that are allowed for trading in the regulated markets of the Republic of Armenia, as well

as the regulated markets in foreign countries;
2) In securities that are permitted for trading in regulated markets not mentioned in point 1 of this part, in case the relevant regulated market is open to the public, is operating on a regular basis, and it is envisaged by the rules of the fund (charter);
3) in newly issued securities, according to the issuing and (or) offering conditions of which, those shall be allowed in the regulated market stipulated in points 1 or 2 of this part during the 12 months after their issuance;
4) in money market instruments not mentioned in points 1 and 2 of this part, if:
a. those are issued or guaranteed by the Republic of Armenia, the Central Bank, the municipalities of the Republic of Armenia, as well as an international organization or foreign country or Central Bank or local government of a state, that is included in the list established by the Central Bank;
b. any other securities of the issuer is authorized for trading in regulated markets according to points 1 or 2 of this part 1 or 2-point, or
c. are issued or guaranteed by an organization that is in compliance with the requirements prescribed by Central Bank regulations.
5) in shares or stocks of open-ended standard funds operating in the Republic of Armenia or foreign standard funds that are in compliance with the requirements of Central Bank regulations;
6) as a demand or time deposit with maturity not more than 1 year in banks operating in the Republic of Armenia or foreign banks that are in compliance with the requirements of Central Bank regulations;
7) in derivative instruments allowed for trade in regulated markets envisaged in points 1 or 2 of this part;
8) in derivatives being traded outside the regulated market:
a. which have as their object those securities, bank deposits, fund's shares or stocks, exchange indexes, interest rates, foreign currency exchange rates or currency in which the fund, in accordance with its rules or charter can make a investments,
b. which are part of transactions entered into by an entity subject to financial supervision, and
c. whose value can be reliably and dependably estimated each day, and that can be sold at any moment by the initiative of the fund at a fair price (closing of the position through offset transaction).
9) in other liquid assets, envisaged by the Central Bank Board in compliance with the requirement of part 2 of this article;
10) in securities not envisaged in points 1-9 of this part, provided that the total value shall not exceed the 10 percent of the total value of the fund's assets.
2. Open-ended fund's assets may not be invested in precious metals or securities providing purchasing rights of such metals.
3. On the account of corporate fund's assets movable property and (or) real estate may, which is directly necessary for the fund's activities, and the total cost of which shall not exceed 15 percent of fund assets may be acquired.
4. Central Bank regulations may stipulate detailing requirements of this article, as well as other prudential standards that regulate the fund's activities, including standards with temporary effect. In cases provide for by the Central Bank regulations, the prudential standards envisage in this part may not apply to newly created funds with a period of

one year from the day they were created. In case the fund's prudential standards stipulated by this law and the Central Bank regulations adopted based on this law are violated, the manager shall inform the Central Bank within three business days (if a shorter reporting deadline is not stipulated by law for the particular prudential standard), and take measures to correct the violation in the shortest possible time.

ARTICLE 41. THE DIVERSIFICATION OF RISKS ASSOCIATED WITH THE INVESTMENT OF FUND"S ASSETS

1. The limitation on investing the fund's assets in permissible instruments envisaged by article 40 of this law shall be stipulated by Central Bank regulations. Those limitations may concern:
1) The maximum amount of the fund's assets that may be invested in securities (including in the same class of securities) issued by a single person or the same group or persons affiliated with them he minimum amount of the fund's assets
2) The maximum amount of securities (including the same class of securities) issued by a single person or the same group or persons affiliated with them that may be acquired by the fund;
3) The maximum size of fund assets, which may be invested in a single bank as a deposit;
4) The volume of risk on the fund's assets, which is associated with the derivative transaction entered into with a single person or persons belonging to the same group or affiliated persons;
5) The conditions and maximum limitations on investments in shares and stock of other funds;
6) The maximum ratio between the total value of transactions concerning issued securities, invested bank deposits and derivative instruments with a single person or persons belonging to the same group or affiliated persons and value of fund's assets;
7) Other limitations, including temporary.
2. In cases stipulated by Central Bank regulations, the limitations envisaged by parts 1 or 2 of this article may not be applied to newly created standard funds, within a period not exceeding 1 year from the moment those funds are created.
3. Central Bank regulations may stipulate cases of deviation from the limitations envisaged in part 1 of this article, as well as minimum terms and conditions for the elimination of those deviations.
4. The limitations envisaged in parts 1 and 2 of this article may be different for index and money market funds.

ARTICLE 42. THE PECULIARITIES OF INDEX FUND INVESTMENTS

1. The index of stocks or bonds, whose structure is reproduced by the index fund shall comply with the following conditions:
1) Its structure shall be sufficiently diversified;
2) It shall be sufficiently representative for the particular securities market;
3) It shall be properly published.
2. The Central Bank regulations may stipulate detailing standards for the requirements

of securities index forming the core of the investments of the index fund envisaged in part 1 of this article, as well as require to meet further conditions.

ARTICLE 43. THE PECULIARITIES OF MONEY MARKET FUND INVESTMENTS

1. Money market fund is a type of a standard fund, whose assets according to the funds rules or charter may be invested only in money market instruments and shares or stocks of other money market funds.
2. Central Bank regulations may stipulate additional conditions for the investments of money market funds, which concern the banks, where deposits may be made, as well as derivative instruments, money market instruments and (or) the issuers of those.

SECTION 7

INVESTMENT POICY OF SPECIALIZED FUNDS

ARTICLE 44. REQUIEEMENTS ON INVESTMENT OF ASSETS OF SPECIALIZED FUNDS

1. For specialized funds not considered as qualified investors fund by law or Central Bank regulations, the following may be stipulated:
1) The minimum amount of the fund's assets, which shall be liquid;
2) Limitations based on types and (or) classes of assets;
3) The maximum amount of the fund's assets that may be invested in securities not allowed for sale in the regulated market;
4) The maximum amount of same class of securities issued by a single person or the same group or persons associated with them, that may be acquired by the fund;
5) The maximum amount of the fund's assets that may be invested in securities issued by a single person or the same group or persons associated with them;
6) The maximum amount of fund's assets that may be invested in a single property;
7) The conditions and maximum limitations on investments in shares and stock of other funds;
7) Conditions of issuing debt and maximum ratio of the issued debt and the total value of the fund's assets;
9) Other prudential requirements (including temporary) regulating the operations of the fund.
2. By law or Central Bank regulations conditions on investment policies of qualified investors funds may be adopted, which may be less onerous compared to the conditions adopted for funds other than qualified investors fund, as well prudential requirements (including temporary) may be adopted regulating the operations of the fund.
3. In cases stipulated by Central Bank regulations, the limitations envisaged by parts 1 or 2 of this Article may not be applied to newly created specialized funds, within a period not exceeding 1 year from the moment those funds are created.

ARTICLE 45. INVESTMENT OF REAL ESTATE FUND'S ASSETS

1. According to the real estate fund’s rules or charter,
1) At least the 30 percent of the fund’s assets shall be invested in real estate, or
2) At least 50 percent of the fund’s assets shall be invested in real estate and (or) real estate securities.
2. The following securities shall be considered real estate securities envisaged by part 1 of this article;
1) Shares and stocks of another real estate fund;
2) The securities of other organizations, whose main scope of operations is making investment in real estate or managing real estate;
3) Mortgage securities issues by banks;
4) Derivative instruments based on securities mentioned in parts 1, 2, and 3 of this article.
3. Real estate acquired by a real estate fund is subject to mandatory insurance.

ARTICLE 46. INVESTMENT OF ADDITIONAL RISK FUND’S ASSETS

1. According to the additional risk fund’s rules or charter, the assets of the fund shall be mainly formed:
1) Through issuing unlimited amount of debt and using derivative instruments and (or)
2) Through the sale of such assets that the fund does not possess at the time of the transaction (short sale)
2. The additional risk fund shall be considered a qualified investors fund.

ARTICLE 47. INVESTMENT OF PRIVATE EQUITY FUND"S ASSETS

1. According to the private equity fund’s rules or charter, not less than 50 percent of the fund’s assets shall be invested in securities not allowed for sale in the regulated market.
2. The private equity fund may act as a venture fund, in case according to the fund’s rules or charter, not less than 5- percent of the fund’s assets shall be invested in a securities not allowed for sale in the regulated market and issued by organizations that are newly created or are in the early stage of their development, for the purpose of their growth, development or enabling their securities to be sold in the regulated market.
3.In case the minimum limit set by parts 1 or 2 of this Article are violated as a result of allowing the securities acquired by the fund in the regulated market, those securities are subject for alienation by the venture fund within one month, until the requirement of limit set by parts 1 or 2 of this Article is met.
4. The private equity fund (including the venture fund) shall be considered a qualified investors fund.

ARTICLE 48. INVESTMENT OF FUND OF FUND’S ASSETS

1. According to the fund of funds rules or charter, not less than 50 percent of the fund’s assets shall be invested in shares and (or) stocks of other funds.

SECTION 4

MANAGEMENT OF THE FUND AND THE MANAGER

CHAPTER 8

MANAGEMENT OF THE FUND

ARTICLE 49. MANAGEMENT OF A CORPORATE FUND

1. The senior management body of a corporate fund (excluding a fund founded as a partnership founded on trust) is the meeting of the fund, which has the following exclusive jurisdiction:
1) The election of the representative of the fund's shareholders in the Board of Directors of the manager and the premature termination of his/her authorization, excluding cases when such a representative according to the fund's charter is not elected;
2) The election of the fund's supervisory committee members and the premature termination of their authorization;
3) The selection of the fund's independent auditor;
4) The formation of the funds' counting committee and the adoption of the rules for administering the meeting;
5) The adoption of the decision concerning the amendment and termination of the fund's custody and management contracts and the signing of a custodian and management contract with the new manager and custodian, in accordance with the rules stipulated by this law;
6) The approving of amendments and (or) additions to the fund's charter;
7) The adoption of the decision concerning the fund's reorganization and liquidation, as well as the appointment of the liquidation committee and the approval of the interim and final liquidation balance sheets.
2. The decision making authority envisaged in part 1 of this article may not be transferred to the manager.
3. The charter of the corporate fund may reserve to the fund's meeting, powers not envisaged by part 1 of this article, including the right to approve certain decision that are envisaged by this law and are taken by the manager.
4. In case otherwise is not envisaged by this law, the clauses concerning general meeting of shareholders stipulated by the Republic of Armenia Law "On Joint Stock Companies" apply to the preparation, conduct, decision-making and other legal relations of the fund's meeting.
5. Within the corporate fund not board of directors shall be established. The exclusive powers reserved for the general meeting of shareholder or the board of directors (supervisory board) by the Republic of Armenia Law "On Joint Stock Companies", that are not put under the jurisdiction of the fund's meeting by this law and (or) the fund's charter shall be carried out by the manager's board of directors, as its exclusive jurisdiction.
6. The executive management of a corporate fund, as well as the fund's asset management should be handed to a person having a fund management license.

Moreover, the functions envisaged by this part shall be carried out by the manager on behalf of the corporate fund, regardless of whether that function in accordance with this law is mandated to fund or directly to the manager.
7. The management of a fund founded as a partnership founded on trust shall be carried out by the partner having a fund management license.

ARTICLE 50. THE MEETING OF THE CLOSE-ENDED CONTRACTUAL FUND

1. For the purposes of adopting the decisions stipulated by part 3 of this article or the fund's charter no less than once per year a meeting of a close-ended contractual fund shall convene, in which all the shareholders of the fund have the right to participate, based on the votes they have according to the amount and accounting value of the shares, as well as other persons envisaged by the rules of the fund.
2. By the request of the shareholder (shareholders) having at least 10 percent interest in the fund, an extraordinary meeting shall be called.
3. The exclusive power to adopt at least the following decisions shall be reserved to the Fund's meeting:
1) The election of the representative of the fund's shareholders in the Board of Directors of the manager and the premature termination of his/her authorization, excluding cases when such a representative according to the fund's charter is not elected;
2) The selection of the fund's independent auditor;
3) The formation of the funds counting committee and the adoption of the rules for administering the meeting;
4) The adoption of the decision concerning the amendment and termination of the fund's custody and management contracts and the signing of a custodian and management contract with the new manager and custodian, in accordance with the rules stipulated by this law;
5) The provision of consent to the manager's board of director's decision concerning the amendments and (or) additions to the fund's rules;
6) The provision of consent to the manager's board of director's decision concerning the fund's merger and termination, as well as the approval of the interim and final liquidation balance sheets.
4. The decision making authority of the meeting of the close-ended contractual fund envisaged in part 3 of this article may not be transferred to the manager.
5. In case otherwise is not regulated by this law, the clauses concerning general meeting of shareholders stipulated by the Republic of Armenia Law "On Joint Stock Companies" apply to the preparation, conduct, decision-making and other legal relations of the fund's meeting, taking into consideration the peculiarities of a contractual fund.
6. The requirements of this artice do not apply to those close-ended contractual funds, whose rules envisage that in that particular fund no fund meeting shall be called.

ARTICLE 51. MANAGEMENT OF THE FUND

1. With the exception of powers reserved by this law and (or) the fund's rules (charter) to the fund's meeting (in case its exists), the management of the fund is the activity of solving the issues concerning the activities of the fund, which particularly includes:

1) management of investments, which implies the adoption and execution of decisions concerning the investment of the fund's assets within the investment policy of the fund;
2) Administrative functions:
a. the organization of the issuance and repurchase (redemption) of shares,
b. the organization of legal and accounting functions in connection with the management of the fund,
c. the calculation of the fund's net asset value, as well as the accounting value of the shares or stocks and the underwriting and repurchase (redemption) price,
d. the management of the fund's register of shareholders,
e. the decision of the fund's income and the organization of income distribution among the shareholders of the fund,
f. acting as a tax agent for the fund's shareholders, concerning the income received through the contractual fund, as well as received dividends from the securities issued by the corporate investment fund and the income acquired from the repurchase of those securities,
g. provision of information necessary to the fund's shareholders,
h. other administrative functions.
3) The organization of offerings and underwritings of shares and stocks (marketing).
2. Fund management of this law is the management of a pension fund, if the meaning of the particular clause does not imply that in that particular case the management of a fund is only the management of funds other than the pension funds.
3. A fund shall be managed only by one manager.
4. The manager may manage multiple funds. Moreover, the contractual funds managed by the same manager shall differ by their type, investment policies, rights certified by the shares of participants and (or) limitations on the circle of fund's participants.
5. For the purpose of this law management of fund means the management activity conducted only by one manager, except the management of the fund by the fund's general meeting envisaged by article 49 of this law.

CHAPTER 9

THE MANAGER

ARTICLE 52. THE MANAGER

1. The manager may be founded only as a joint stock company or a limited liability company.
2. The manager shall be created only to conduct the management activity of funds (including non-public funds), and cannot conduct any other activity, except the cases envisaged in parts 4 and 5 of this law.
3. For managing pension funds, the manager in addition to the license for managing funds shall in accordance with the rules stipulated by this law acquire permission to manage respectively manage voluntary or mandatory pension funds. Moreover, the manager who has received permission to manage mandatory pension fund does not

need additional permission to manage voluntary pension fund.
4. In case the manager has acquired the respective permission according to the rules stipulated by this law, the manager in addition to managing the fund, may also provide securities package management services, stipulated by point 5 of part 1 of article 25 of the Republic of Armenia's law "On Securities Market",
5. In case the manager has acquired the respective permission according to the rules stipulated by this law, as additional services it can provide:
1) Consultancy services stipulated by point 3 of part 1 of article 25 of the Republic of Armenia's law "On Securities Market", which is connected to investment in securities managed by itself;
2) Custody of shares or fund stocks.
6. The manager may not receive the permission to provide the services the additional services stipulated in part 5 of this article without acquiring the permission to provide the services (service) envisaged by part 4 of this article.
7. While providing the services envisaged by parts 3 or 4 or 4 and 5 of this article, the requirements stipulated for the provision of those services apply on the manager, except the requirement for getting a license.
8. The manager does not have the right to use in its name such misleading words, which may give wrong implications on that manager's financial strength or legal status or conducted activities.
9. It shall be prohibited for an entity that has not been licensed by the Central Bank to use the words "investment fund manager", their conjugated forms, Armenian transcription, translation or their combination, in their names, advertisements, public offerings, as well as in any way supporting the advertisement thereof, unless it is not understood from the usage of the words "investment fund manager" or their derivatives that the subject is not about the business of fund management envisaged by this law and if the right to use thereof has not been provided by law or international agreement.
10. The provisions stipulated for the manager by this law and regulations based on this law shall also apply on foreign manager's branches founded in the Republic of Armenia, except those cases when otherwise is stipulated by this law or regulations based on this law, or it is obvious from the essence of the legal provision that it cannot apply to the foreign manager's branches founded in the Republic of Armenia.

ARTICLE 53. FUND MANAGEMENT LICENSE

1. The fund management license (hereafter license) is a document provided by the Central Bank according to this law and regulations based on this law, that certifies the permission to carry out the business of managing funds. Without a license (and for managing a pension fund without an additional respective permission) it shall be forbidden to conduct fund management activities, or to propose to conduct such activities or come forward as a person conducting such activities.
2. The license or the rights certified by the license may not be collateralized, transferred or alienated.
3. The license shall be provided without time limitations.
4. The license shall include the license number, the award date, the full name of the manager (the full name of the foreign manager and the name of its branch founded in

the Republic of Armenia) and the registration number.
5. The unified form of the license shall be stipulated by Central Bank regulations.
6. The license shall be provided or revoked by the decision of the Central Bank board. The licence shall be revoked only on the basis and according to the rules stipulated by this law. In case other laws stipulate provisions on revoking the license, only the provisions of this law shall apply.
7. In case the license is lost or rendered not usable, the manager no later than within three working days shall inform the Central Bank. Based on the manager's application the Central Bank shall provide the manager a copy of the license.

ARTICLE 54. REGISTRATION AND LICENSING OF THE MANAGER

1. The rules of registration and licensing of the manager are stipulated exclusively by this law and regulations of the Central Bank adopted based on this law. In case other laws stipulate provisions on licensing the manager, only the provisions of this law shall apply.
2. For the purpose of registration and licensing of the manager, the founders shall submit to the Central Bank the documents mentioned below, in compliance with the form and content specified by regulations of the Central Bank:
1) Application for registration and licensing;
2) The application to provide the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of article 52 of this law (in case the manager will provide the respective service (services));
3) The business plan of the manager;
4) The charter of the manager in 6 copies as approved by the Board of Founders of the manager;
5) The list of the founders of the manager and Information about them according to the Central Bank requirements;
6) The decision of the Board of Founders of the manager on appointment of managers for the investment firm;
7) Information on directors of the manager, samples of the their signatures ratified by notary, copies of certificates of their professional qualification;
8) Documents of significant participants of the manager required by this Law and regulations of the Central Bank for getting preliminary permission for significant participation.
9) Draft rules regulating the operation of the manager's directors and employees;
10) The document verifying the payment of the Charter Capital of the manager to the account opened in the Central Bank or in any other bank not affiliated with that company but acting on the territory of the Republic of Armenia;
11) The list of staff members implementing management services provision activity inside the structure of the manager or on its behalf and copies of the documents verifying their professional qualifications;
12) The announcement on compliance of the activity area of the manager with the criteria set forth by the Central Bank;
13) The state duty payment receipt;
14) Other documents envisaged by the Republic of Armenia's law "On Funded

Pensions", in case the manager shall manage pension funds as well;
15) Other documents defined by regulations of the Central Bank.
3.The Central Bank may require additional information and documents that are essential for estimation of accuracy of the documents and the information provided for by point 2 of this Article.
4. By its regulations, the Central Bank may define exceptions for submission of certain documents and information provided for by point 2 of this Article, for the branches, non-resident significant participants and directors of foreign managers operating in the Republic of Armenia, if provision of such information or documents is restricted by the legislation of the country in question or if the above do not apply to the given person.
5. The manager that is currently operating, in order to acquire permission to provide a service (services) envisaged by points 3 and (or) 5 or 4 and 5 of Article 52 of this law shall submit in compliance to the regulations of the Central Bank the following:
1) An application to acquire permission to provide the respective service (services);
2) The amendments to the charter, rules of operations and business plan of the manager;
3) Other documents envisaged by the Republic of Armenia's law "On Funded Pensions", in case the manager shall manage pension funds as well;
4) Other documents defined by regulations of the Central Bank

ARTICLE 55. THE DECISION OF REGISTERING THE MANAGER AND PROVIDING THE LICENSE

1. The Central Bank shall make a decision on registration of the manager and on issuance of the license and (or) on providing permission to provide services envisaged by points 3 and (or) 4 or 4 and 5 of Article 52 of this Law, if all the documents and information required by respectively points 2 and 3 and (or) 5 of Article 54 of this Law have been submitted and there are no bases defined by this Law to reject the registration of the manager and to reject the issuance of the license (provision of permission to provide the respective service (services)). The existence of basis to reject the application to acquire the permission of the Central Bank to provide respective service (services) shall not serve as a basis to reject the application for registration and licensing of the manager.
2. The Central Bank shall adopt a decision on registering the manager and providing a license (as well as approving the application (submitted with the application for registration and acquisition of the license) to provide a service (services) envisaged by points 3 and (or) 4 or 4 and 5 of Article 52 of this Law) or rejecting the registration of the manager and the provision of a license (as well as rejecting the application (submitted with the application for registration and acquisition of the license) to provide a service (services) envisaged by points 3 and (or) 4 or 4 and 5 of Article 52 of this Law)) within 30 working days from the moment the founders of the manager have submitted the application. For currently operating managers, the Central Bank shall adopt the decision to approve or reject the application to provide a service (services) envisaged by points 3 and (or) 4 or 4 and 5 of Article 52 of this Law within 20 working days of receiving the application.
3. The Central Bank shall be obligated, within a 5-day period from the moment it makes

a decision on registration and issuance of the license, to give the registration certificate and the license to the manager.
4. Within a 5 day-period after making the decision on registration of the manager, the Central Bank shall notify about that the state authorized body implementing registration of legal entities, to make a corresponding recording of the registration of the manager.
5. From the moment the manager is registered at the Central Bank, it shall acquire the status of a legal entity.

ARTICLE 56. THE BASIS FOR REJECTING THE REGISTRATION OF THE MANAGER AND THE PROVISION OF A LICENSE

1. The Central Bank shall reject registration and licensing of the manager or granting the permission to provide a service (services) envisaged by points 3 and (or) 4 or 4 and 5 of Article 52 of this Law), if:
1) The submitted documents do not comply with this Law, with the regulations adopted based on this Law, are false or the information contained therein is not reliable or have shortcoming and those shortcoming have not be eliminated within the timeframe stipulated by point 1 of Article 111 of this Law;
2) The directors of the manager do not meet the requirements set forth by this Law or the regulations of the Central Bank.
3) The manager does not meet the requirements for provision of services defined by this Law and other legal acts;
4) The charter or the rules of operations of the manager contradicts the law;
5) The Central Bank has rejected or rejects any of the applications for getting preliminary consent for acquisition of significant participation in the manager;
6) The business plan does not correspond to the requirements set forth by this Law and the regulations adopted by the Central Bank on the basis of this Law.
7) Per the justified opinion of the Central Bank, the business plan is unrealistic or by acting in compliance with that plan, the manager may not indulge in fund management activities in due manner or may not render services in due manner;
8) Per the justified opinion of the Central Bank, the activity, financial position, negative reputation or absence of experience in the financial sphere of the Founders of the manager or of the entities affiliated with them may jeopardize the interests of customers or may hinder the fund management activities of the manager or duly implementation of supervision by the Central Bank;
9) Nonpayment of the minimum amount of the charter capital defined by the Central Bank on the basis of this Law;
10) The manager does not have adequate area or is not technically equipped to comply with the requirements defined by regulations of the Central Bank.
11) There are other basis for rejection envisaged by the Republic of Armenia’s Law “On Funded Pensions” (for cases of granting permission for managing pension funds).

ARTICLE 57. RE-REGISTRATION AND RE-LICENSING OF THE INVESTMENT COMPANY AS A MANAGER

1. The investment company, which manages securities package envisaged by point 5 of part 1 of Article 25 of the Republic of Armenia's Law "Securities Market", to engage in fund management activities, shall be reregistered and relicensed in accordance to the rules stipulated by this article.
2. To be re-registered and relicensed as stipulated by part 1 of this article, the investment company shall submit to the Central Bank the documents mentioned below, in compliance with the form and content specified by regulations of the Central Bank:
1) Application for re-registration and re-licensing;
2) The application to provide the service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of article 52 of this law (in case the manager will provide the respective service (services)) and has not received a license to provide those as an investment company;
3) The application to revoke its license to provide those services, which cannot be provided by the manager according to this law (in case it has acquired a license to provide such services);
4) The business plan of the manager;
5) The respective amendments to its charter;
6) The document verifying that its charter capital complies with minimum level of charter capital that the Central Bank has set for managers;
7) The state duty payment receipt;
8) Other documents envisaged by the Republic of Armenia's law "On Funded Pensions", in case the manager shall manage pension funds as well;
9) Other documents defined by regulations of the Central Bank.
3. The Central Bank shall make a decision on approving the submitted application envisaged by points 1, 2 and 3 of part 2 of this Article, if all the documents envisaged in part 2 of this Article have been submitted and there are no bases defined by part 4 of this Article to reject the respective application (applications). The existence of basis to reject the application to acquire the permission of the Central Bank to provide respective service (services) shall not serve as a basis to reject the application for re-registration and re-licensing of the manager. In case the application envisaged by point 3 of part 2 of this Article is rejected on the basis of point 7 of part 4 of this Article, the application of the investment company to be re-registered and re-licensed as a manager shall be rejected.
4. The Central Bank shall reject the application envisaged in part 2 of this Article, if:
1) The submitted documents do not comply with this Law, with the regulations adopted based on this Law, are false or the information contained therein is not reliable or have shortcoming and those shortcoming have not be eliminated within the timeframe stipulated by point 1 of Article 111 of this Law;
2) The manager does not meet the requirements for provision of services defined by this Law and other legal acts;
3) The amendments of the charter of the investment company contradict the law;
4) The business plan does not correspond to the requirements set forth by this Law and the regulations adopted by the Central Bank on the basis of this Law;
5) Per the justified opinion of the Central Bank, the business plan is unrealistic or by acting in compliance with that plan, the manager may not indulge in fund management activities in due manner or may not render services in due manner;
6) The charter capital of the investment company does not comply with the minimum

level of charter capital set by this law for managers;
7) Per the justified opinion of the Central Bank, in case it approves the submitted application envisage by point 3 of part 2 of this Article, the interest of clients may be infringed;
8) There are other basis for rejection envisaged by the Republic of Armenia's Law "On Funded Pensions" (for cases of granting permission of managing pension funds).
5. The Central Bank shall adopt a decision on approving or rejecting the application (applications) envisaged by part 2 of this Article within 30 working days from the moment the investment company has submitted the application.
6. The Central Bank shall be obligated, within a 5-day period from the moment it makes a decision on re-registration and re-issuance of the license, to give the registration certificate and the license to the manager.
7. Within a 5 day-period after making the decision on re-registration of the manager, the Central Bank shall notify about that the state authorized body implementing registration of legal entities, to make a corresponding recording of the re-registration of the manager.
8. From the moment the investment company is re-registered and re-licensed at the Central Bank, it shall acquire the status of a manager, and its license for providing investment services that was previously granted shall be considered void and shall be returned to the Central Bank within 3 days.

ARTICLE 58. THE BUSINESS PLAN AND ITS REPORT

1. The business plan shall be drafted for the next three years and shall contain the following information:
1) The internal organizational structure of the manager;
2) Income and loss statement;
3) Perspective financial development trends;
4) The description of its forecasted markets;
5) Its main competitors and methods of standing out in competition;
6) The management methods and the appraisal of potential risks;
7) Detailed description of business forecasts of fund management activity and provision of a service (services) envisaged in parts 4 and 5 of Article 52 of this Law (in case it has acquired to provide such services in accordance with this Law);
8) The fund (funds) with which it foresees to sign fund management agreement and (or) the type of fund (funds) (by investment policy and by mechanism of issuing and redeeming shares (stocks)), which it plans to establish;
9) The investment policy that the manager plans to adopt, the directions of investing the fund's assets and the risk management system;
10) Other documents defined by regulations of the Central Bank.
2. The manager may submit in its business plan information that is not envisaged by part 1 of this Article.
3. During its activity, the manager in the procedure, form and periods defined by regulations of the Central Bank shall submit to the Central Bank the report envisaged by part 4 of this Article on business plan implementation that was provided during the

registration and licensing period.
4. The manager in the procedure, form and periods defined by regulations of the Central Bank shall be obligated to submit to the Central Bank the business plan for three years along with its amendments.

ARTICLE 59. RECOGNITION OF INVALIDITY OF THE LICENSE AND ITS LEGAL CONSEQUENCES

1. The license (the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52) may be recognized void, if:
1) After issuance of the license (the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52), the manager has not rendered fund management services (has not provided the respective service) for 12 months uninterruptedly. Meanwhile, for the purposes of this law the activity of managing a pension fund should be considered fund management as well;
2) The manager has published or has submitted to the Central Bank (including the cases of submitting an application for a license (the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52)), misleading or unreliable information or false documents;
3) The manager or its directors made periodic (two and more) violations of the requirements of this Law, other laws and regulations adopted based on the laws;
4) The manager has conducted an activity that is not envisaged by Article 52 of this Law;
5) Per the justified opinion of the Central Bank the manager has conducted activities that endanger the interest of investors;
6) The manager has not fulfilled the assignment given by the Central Bank in accordance with this Law within the defined period or amount;
7) Prudential standards defined by this Law and regulations of the Central Bank adopted on this basis were violated, in the amount specified by the regulations of the Central Bank;
8) In the cases of self-liquidation, merging with another manager or bankruptcy;
9) There are other bases for recognizing the license void that are envisaged by the Republic of Armenia’s Law “On Funded Pensions”.
2. The license of the branch of a foreign manager established on the territory of the Republic of Armenia shall be recognized void also in the case when the foreign manager was deprived of the right to render fund management services in the country where it is registered or where it carries out its main activity.
3.The permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 may be recognized void based on the application of the manager, provided that the legitimate interests of the customers of the investment firm are properly protected.
4. The permission of the manager to manage mandatory or voluntary pension fund may only rendered void, when the manager that has acquired the preliminary consent of the Board of the Central Bank, in accordance with the requirements of this Law has transferred to another manager (managers) the management of all mandatory (voluntary) pension funds or has unilaterally repudiated from the contracts for managing

those funds. The rules for acquiring the preliminary consent of the Central Bank envisaged by this part shall be stipulated by Central Bank regulations.
5. The Central Bank may reject the application provided for by part 3 of this Article, if there are sufficient bases to conclude that the recognition of invalidity of the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 may damage the legitimate interests of the manager's clients (pension fund shareholders), and in the case of an application to render the permission to manage a mandatory or voluntary pension fund this applies as well, if the manager is managing an mandatory or voluntary pension fund, the management of which has not be transferred to another manager or management contract of the respective fund has not been liquidated.
6. Within 30 days from the moment the Central Bank receives the application provided for by part 3 of this Article, as well as the documents and information that serve as a bases for rendering the respective permission void, the Central Bank shall make a decision on recognizing void of the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 or on rejection of the application.
7. Based on the bases specified by this Article, the decision of the Central Bank on recognizing the license (the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52) void shall be immediately published. The aforementioned decision shall become effective from the moment of its publication, unless other period is specified by that decision.
8. From the day when the decision on recognizing the license void becomes effective, the manager shall be deprived of the right to render fund management services, and shall be subjected to liquidation (except in case when it merges with another manager) in the procedure defined by the law.
9. From the day when the decision on recognizing the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 void becomes effective, the manager shall be deprived of the right to render the respective service (services) with the exception of those transactions that are directed to fulfillment of obligations undertaken by the investment firm with regard to the provision of the given service, sale of resources and their final distribution.
10. In case the license (the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52) is recognized void, it (the decision to grant the respective permission) shall be returned to the Central Bank within 3 days.
11. The copy of the decision of the Central Bank on revocation of the license (the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52) shall be provided to the manager, and in the case when the permission to manage mandatory pension fund is revoked, to the registrar of fund shareholders that is envisaged by the Republic of Armenia's Law "On Funded Pensions", within 3 days after its adoption. Court appeal of the mentioned decision shall not suspend the effect of that decision throughout the entire period of the court proceeding.

ARTICLE 60. REGISTRATION OF THE BRANCH AND REPRESENTATION OF THE MANAGER OPERATING IN THE TERRITORY OF THE REPUBLIC OF ARMENIA AND OF THE BRANCH AND REPRESENTATION OF THE FOREIGN MANAGER TO BE ESTABLISHED ON THE TERRITORY OF THE REPUBLIC OF ARMENIA AND OF

THE BRANCH AND REPRESENTATION TO BE ESTABLISHED OUTSIDE THE TERRITORY OF THE REPUBLIC OF ARMENIA BY THE MANAGER OPERATING IN THE TERRITORY OF THE REPUBLIC OF ARMENIA

1. The foreign manager may conduct fund management activities within the territory of the Republic Armenia only by establishing a subsidiary or a branch within the territory of the Republic Armenia.
2. The respective provisions on investment firms of the Republic of Armenia's Law "On Securities Market" shall apply to the registration and refusing the registration of branches and representations established within the territory of the Republic of Armenia by the manager operating within the territory of the Republic of Armenia and the foreign manager, and to the provision of preliminary consent and the refusal to grant preliminary consent to the establishment of branches and representations outside the territory of the Republic of Armenia by the manager operating within the territory of the Republic of Armenia.

ARTICLE 61. REGISTRATION OF AMENDMENTS

1. Managers, as well as branches and representative offices of foreign managers operating in the Republic of Armenia shall submit the following amendments to the Central Bank for registration purposes within 10 days after they take place:
1) Amendments to the charter of manager or that of the branch or the representative office of foreign manager;
2) Amendments to the operation rules of the manager;
3) Replacements in the composition of directors (except for directors of structural subdivisions);
4) Other amendments specified by law or regulations of the Central Bank.
2. Within 30 days following the receipt of the documents specified by regulations of the Central Bank submitted for the registration of the aforementioned amendments, the Central Bank should register those amendments or refuse the registration thereof. Meanwhile, in case when as a result of registering the amendments envisaged by point 1 of part 1 of this Article, a need arises to reformulate the license, registration certificate and (or) the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 granted to the manager, when adopting a resolution to register the amendments, the Central Bank shall approve the application submitted with the application for registering the amendment for reformulating the license, registration certificate and (or) the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52.
3. The Central Bank shall register the amendments, provided that they do not contradict laws and other regulations, and that they have been submitted in accordance with the requirements of prudential regulations of the Central Bank.
4. The procedures and the format of registration of amendments shall be determined by regulations of the Central Bank.
5. The amendments provided for by this Law and regulations of the Central Bank shall enter into force upon being registered by the Central Bank.
6. Within 5 working days from the day the decision to approve the applications

envisaged by part 2 of this Article is adopted, the Central Bank is obliged to hand the manager the reformulated registration certificate, license and (or) the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52.
7. In case of change in the size of the statutory capital of the manager, it shall open a cumulative account at the Central Bank or any commercial bank not affiliated with the manager. The funds of the cumulative account shall be frozen by the Central Bank or commercial banks, and the manager may not possess, manage or use those funds until the amendments are registered at the Central Bank according to the procedure stipulated by this Article.
8. By the resolution of the Board of the Central Bank, the registration envisaged by part 5 of this Article may be revoked if false or inaccurate data in respect of registering the amendments stipulated by this Article or with the purpose of obtaining a certificate of professional adequacy or qualification of the directors of the manager or the branch, representative office of a foreign manager, or in other cases as provided for by this Law have been submitted to the Central Bank.

CHAPTER 10

SIGNIFICANT HOLDING

ARTICLE 62. AQUIRING SIGNIFICANT HOLDINGH IN THE MANAGERS CHARTER CAPITAL

1. The respective provisions regarding the acquisition of significant holding in the charter capital of an investment firm stipulated by the Republic of Armenia's Law "On Securities Market" shall apply to the acquisition of significant holding in the charter capital of a manager.

CHAPTER 11. MANAGEMENT OF

THE MANAGER

ARTICLE 63. BOARD OF DIRECTORS OF THE MANAGER

1. The manager is obliged to establish a board of directors (hereafter board), which shall consist minimum from three members (excluding the representatives of the fund shareholders envisaged by point 1 of part 1 of Article 49 and point 1 of part 3 of Article 50 of this Law), who in addition to the issues under the jurisdiction of the board of the particular legal form, has the extraordinary authority to:
1) In accordance with this Law take the decision to establish the fund and (or) decide on its management, and present to the corporate fund's founding meeting (founder) the draft fund management contract;

2) Approve the contractual fund's (established or managed by the manager) rules and its amendments and addition;
3) Approve the fund's rules, in case the manager is acting as the fund's new manager;
4) Adopt the decision on signing and terminating the custodian agreement, as well as making an amendment agreed with the custodian, for the contractual fund established by the manager (or being managed by the manager);
5) Adopt the decision on merging and terminating the contractual fund managed by the manager;
6) Adopt the decision on unilaterally relinquishing from the fund management contract in cases envisaged by this Law;
7) Present proposals to the meeting of a fund being managed by the manager, regarding issues under the jurisdiction of the meeting of the corporate fund envisaged by points 5, 6, and 7 of part 1 of Article 49 of this Law;
8) Approve the fund meeting's agenda and to adopt the decision on the proposals made according to the Republic of Armenia's Law "On Joint Stock Companies", presented by shareholders who are owners of at least two percent of the fund's shares (stocks), concerning issues that according to this law and (or) fund's rules (charter) fall under the jurisdiction of the fund meeting, of a fund managed by a manager;
9) Adopt decisions concerning issues that according to this Law fall under the extraordinary jurisdiction of a corporate fund's meeting and that concern a fund founded on trust being managed by a manager;
10) Exercise other authorities envisaged by this Law.
2. When decision are adopted by the manager concerning issues stipulated by points 2, 4, and 5 of part 1 of this Article, and which concern a closed-end contractual fund, before submitting to the Central Bank an application for a registration (granting a consent) stipulated by this law, those decisions have to get the fund meeting's consent, except in case envisaged by part 6 of Article 50 of this Law.
3. The procedure of establishing the manager's board and its mode of activity shall be stipulated by the manager's charter. The manager's board shall include a representative presented by each fund (excluding those funds, whose rules (charter) stipulate that no such representative shall be elected, as well as those contractual funds where no fund meeting takes place) that the manager manages, who participate in the board's meeting in an advisory capacity, excluding the cases where decision are being made on issues or interests concerning the fund whose representative is the given board member. In those meeting they participate with equal power to vote with the other full board members. The manager's board may adopt a decision to limit the participation of the representatives envisaged in this part in the board meeting (to a certain section of the meeting), in case during that meeting information constituting commercial secret for the manager will be disclosed. Meanwhile, in the absence in the manager's board of the representative of the respective fund no decision can be taken that concerns the issues or interest concerning the respective fund, if such absence is the result of the decision of the board limiting the participation envisaged by this part. The remuneration of representatives of fund shareholders envisaged by this part shall be made from the resources of the respective fund, according to the conditions of the fund's meeting.

ARTICLE 64. INTERNAL AUDIT

1.The manager shall be obligated to have a system of internal control that will include all levels of management and activity of the manager.
2.The manager shall be obligated to have an independent division of internal audit (hereafter, “internal audit”), to assign corresponding independent employees or delegate the internal audit functions to independent auditors, by contract. The director and members of internal audit (hereafter, “internal auditors”) shall meet the requirements for directors of the manager set forth by this Law. Internal auditor cannot be a member of management body of the manager, another director and employee, as well as any person interrelated with the manager, its directors or other employees.
3.Internal auditors shall be appointed by the board of the manager. The internal audit shall have the capability to ensure an efficient internal control system. For that purpose, the Central Bank regulations may stipulated requirements on the minimum amount of internal auditors, depending on the amount of funds and (or) size of portfolio being managed by the given manager.
4. Internal auditor of the investment firm shall be independent in exercising its authorities and shall report to the board.
5. Internal auditor of the investment firm may be only a person that has the professional qualifications set forth by this Law.
6. In compliance with the internal procedures adopted by the company, the internal auditor shall:
1) Control current activity and risks of the manager;
2) Check the compliance of the manager’s activity with the requirements set forth by law, regulations adopted on its base, regulated market rules, business rules of the company and other legal acts;
3) Draw conclusions and provide proposals on issues presented by the authorized management body and other issues.
7. The decision-making of issues under the competence of the internal audit cannot be transferred to the management bodies of the manager or other parties.
8. The board shall, each year, approve the annual plan of internal audit. The annual plan shall, at least, include:
1) The areas of operation where internal auditors will perform an examination of operation;
2) A description of the content of planned operational audit in individual areas.
9. Executive body of the investment firm shall be obligated to ensure adequate conditions for effective implementation of the internal auditor’s authority.
10. Internal auditor shall be obligated to inform the executive body of the investment firm, the board of directors, and the Central Bank about any violation of the requirements set forth the by law, other legal acts, as well as about any significant damage caused to the interests of customers, within 5 working days after its disclosure.

ARTICLE 65. REQUIREMENTS FOR THE MANAGER‟S DIRECTORS AND PERSONS CONDUCTING FUND MANAGEMENT ACTIVITIES ON BEHALF OF THE MANAGER OR IN ITS STAFF

1. Directors of the managers are the chairman and the members of the board of

directors, the executive director and the members of the executive body, the deputy executive director, the chief accountant and the deputy chief accountant, the head and members of the internal audit, as well as the directors of regional and structural divisions.
2. No person may be a manager's director, or a person conducting fund management activities on behalf of the manager or in its staff if he:
1) Is deemed incapacitated or partially capable in accordance with the procedure defined by the law;
2) Does not have the relevant professional qualification as specified by this Law;
3) Has a criminal conviction for an intentional crime and his conviction has not been expired or removed;
4) In pursuance of the court decision is deprived of the right to hold position in financial, economic and legal fields;
5) Is declared bankrupt or having outstanding (bad) debts;
6) In the past, but not earlier than three years has been deprived of professional qualification envisaged by the Republic of Armenia's Law "On Securities Market";
7) Is engaged in past deed (activity or inactivity), which in the opinion of the Central Bank based on the guidelines set forth by regulations of the Central bank, makes room to believe that the given person, as a manager's director, or a person conducting fund management activities on behalf of the manager or in its staff, is incapable to adequately manage the corresponding field of the manager's activity or his/her actions may lead to bankruptcy of the manager or deterioration of its financial position or destroy its authority and business reputation.
3. The manager's chairman of the board or another member of the board cannot be employed as member of the directorate or other staff member with the manager, neither as a chairman of board, member of board, member of the directorate or other staff member with another manager or an entity providing investment services, unless one of the managers (entity providing investment services) is the subsidiary of the other.
4. Chief executive officer or the head and members of the executive body, deputy chief executive officer, head and staff member of the internal audit unit of a manager cannot be employed in another position with the same manager or be a director (excluding the cases of chairman or member of the board of the subsidiary or parent company) or staff member with another manager or an entity providing investment services. Person mentioned in this part, apart from scientific, educational and creative work, may work for pay only by the permission of the board. The regulations of the Central Bank may envisage other limitations concerning the holding of positions for the manager's directors and employees, which shall be directed towards potential conflicts of interests and prevention of risks.
5. It shall be prohibited to the person conducting find management on behalf of the manager or within its staff, to conduct the fund management activity stipulated in this law with the staff or on behalf of another manager, as well as within the staff or on behalf of investment services provider (including the same manager) to provide investment services stipulated by points 1-5 of part 1 of Article 25 of the Republic of Armenia's law "On Securities Market".
6. During the fulfillment of their obligations, directors and employees of the manager shall act in accordance with the fund shareholders" interests, implement their rights and

fulfill their obligations towards the fund shareholders in good faith and reasonably and adequate level of professionalism (fiduciary duty).

ARTICLE 66. PROFESSIONAL QUALIFICATION

1. The Central bank regulations stipulating the rules for attesting qualification and standards for professional adequacy for directors of entities providing investment services or natural persons providing securities portfolio management services by acting on behalf of or within the staff of entities providing investment services shall apply on the rules for attesting qualification and standards for professional adequacy of directors of managers and natural persons providing fund management services by acting on behalf of or within the staff the manager, if the Central Bank regulations do not stipulate other rules or additional standards for them.
2. The professional qualification stipulated by this Article shall be granted for a period not less than one year.
3. For each fund (sub-fund) that it manages, the manager is obliged to constantly have at least one person who is not a director, but who has fund management professional qualifications stipulated by this Law.
4. The professional qualification requirements stipulated by this law shall apply to the manager that is conducting pension fund management stipulated by the Republic of Armenia's Law "On Funded Pensions".

CHAPTER 12

THE REQUIREMETS ON THE MANAGER"S ACTIVITY

ARTICLE 67. PRUDENTIAL STANDARDS OF THE MANAGER"S ACTIVITY

1. The Central Bank by its regulations shall stipulated the minimum level of charter capital of the manager.
2. The Central Bank regulations stipulate the manager's minimum level of total capital, which should be depended on the portfolio that it manages.
3. The requirement stipulated by part 2 of this Article shall be considered adhered to by the manager, if the later has guarantees given by a bank or insurance company that is equal to the difference of minimum level of total capital stipulated by Central Bank regulations and total capital existent with the manager.
4. In each fund that it manages, the manager is obliged to have participation equal to the value stipulated by Central Bank regulations. The minimum participation requirement for the manager shall apply within three years from the day the particular fund is established.
5. For the purposes of the protection of investors" rights the Central Bank regulations may stipulate other prudential standards, including temporary ones. Meanwhile, in cases envisaged by Central Bank regulations, certain prudential standards may not apply on newly established managers within one year from its establishment, or other

prudential standards or minimum standards thereof may be stipulated.
6. In case the manager is managing securities portfolio stipulated by the Republic of Armenia's Law "On Securities Market" or manages pension funds stipulated by the Republic of Armenia's Law "On Funded Pensions", the stringer prudential standards stipulated by those laws shall apply on the manager.
7. In calculating the limits stipulated in part 2 of this Article, the following shall be include in the portfolio being managed:
1) The contractual funds being managed by the manager, including those portfolios, the management of which is outsourced to another manager and excluding those portfolios, the management of which is outsourced by other managers to that manager;
2) The corporate funds, the manager of which is that manager;
3) The non-public funds being managed by the manager, including those portfolios, the management of which is outsourced to another manager and excluding those portfolios, the management of which is outsourced by other managers to that manager.
8. In case the manager violates the prudential standards stipulated by this Law and Central Bank regulations, it shall inform the Central Bank about the violation within three working days, and take measures to remedy the violation within the shortest possible timeframe.

ARTICLE 68. OBLIGATIONS OF THE MANAGER

1. The manager shall be obligated to:
1) During the fulfillment of its obligations act in accordance with the fund shareholders" and its clients" interests, implement its rights and fulfill its obligations towards the fund shareholders and its clients in good faith and reasonably and adequate level of professionalism (fiduciary duty);
2) Decline transactions that may cause conflict of interests between itself and fund shareholders or its clients, and in case when it is impossible, prefer the interests of fund shareholders and clients;
3) During its operations, take adequate measures to prevent conflict of interests between itself and fund shareholders and its clients, as well as between its different clients, between its clients and other funds that it manages, between different funds that it manages, and in case when it is impossible, take measures to lessen such conflict;
4) Introduce efficient organizational and administrative measures to prevent conflict of interests associated with introducing and dissemination of investment proposals by itself;
5) Invest the clients" resources in shares or stocks of fund that it manages only by the prior written instruction of the client;
6) Adhere to its rules of operation, which include:
a. Means of preventing conflicts of interest;
b. The procedures of the manager concerning the circulation of documents, the processing and safekeeping of data electronically, exchange of information that all concern its fund management operations;
c. Rules of internal audit;
d. Business conduct rules;
e. Other procedures stipulated by Central Bank regulations.

7) To adhere to the obligations stipulated for entities providing investment services by the Republic of Armenia's Law "On Securities Market", in case it provide investment services stipulated by this Law.
2. The Central Bank through its regulations may stipulate detailed requirements applying to the content of the manager's rules of operation.

ARTICLE 69. SEPARATION OF ASSETS

1. The manager is obliged to implement separated management and record keeping of its own assets, the assets and securities portfolio of each contractual fund that it manages, as well as assets of different sub-funds.
2. The manager shall use the assets of the fund that it manages exclusively for executing the transactions signed in accordance with Article 10 of this Law, and for fulfilling the payments and costs envisaged by Article 17 of this Law, and may not use those assets for its own or someone else's benefit.
3. The assets of the funds managed by the manager may not be foreclosed to satisfy the obligations of the manager, excluding the obligations acquired through transactions signed according to Article 10 of this Law that are in connections with the management of a contractual fund. To satisfy the personal debt, foreclosure of shares in a fund founded on trust managed by the manager and belonging to the later shall be done in accordance with the basis and procedure stipulated by the Republic of Armenia's Civil Code.
4. The Central Bank through its regulations may stipulate necessary mandatory rules to protect the rights of the fund shareholders envisaged by this Article.

ARTICLE 70. OUTSOURCING AND SURRENDER OF FUNCTIONS

1. To ensure more efficient management, the manager may outsource to a third part a certain part of its functions (excluding the function of managing pension fund investments), in case such a possibility is envisaged by fund rules (charter). In this case the manager continues to bear responsibility for the proper and in good faith implementations of outsourced functions.
2. The function in investment management may be outsourced only to the person having acquired a license in accordance with this Law, and who is not affiliated with the custodian of the particular fund, as well as to such bank or investment company, who is not affiliated with the particular funds custodian, and who according to the law has the right to manage securities portfolios.
3. The organization of issuance and repurchase (redemption) of shares and stocks may be outsourced only to the Central Depository.
4. The function of record keeping of close-ended and time-framed funds‟ shareholders is subject to mandatory surrender to the Central Depository. Meanwhile, the manager that has surrendered the function of record keeping to the Central Depository, shall be freed from the responsibility of record keeping.
4. An outsourcing agreement shall at least include:
1) The specific framework of the functions being outsourced;
2) The unreserved and irrevocable consent of the counterparty on exercising

supervision over its activities by the managers, its auditors and the Central Bank, and on disclosure of information related thereto;
3) The responsibility of the Counterparty for failure to carry out or improperly carry out its operations;
4) The detailed overview of the diligence criteria for implementation of functions by the Counterparty;
5) The terms and the procedure for exercising supervision by the manager over the implementation of the functions outsourced to the Counterparty;
6) The procedure for amending and terminating the contract, which shall comply with the provisions stipulated by parts 12 and 13 of this Article.
6. The manager shall obtain a preliminary authorization from the Central Bank for outsourcing its operations by an outsourcing agreement, by submitting a copy of the contract for outsourcing its functions.
7. For obtaining Central Bank's preliminary authorization envisaged by part 6 of this Article, for concluding an outsourcing agreement, the list of necessary documents, the procedure for submitting those, as well as the terms and the procedure shall be laid down in prudential regulations of the Central Bank.
8. The Central Bank may not authorize to outsource operations, if within the timeframe specified by the Central Bank the documents required by the Central Bank regulations have not been submitted, or those do not comply with the requirements of this Law and other laws, or per the justified opinion of the Central Bank, in case functions or a part thereof subject to outsourcing are outsourced to another person, the following may take place:
1) The legitimate interest of the fund's shareholders may be jeopardized (including the reasons that arise from the absence of organizational, technical, financial resources and capacities of the counterpart, to properly implement the outsourced functions), or conflicts of interest may arise between a third party and the manager, fund or fund shareholders;
2) The proper supervision of the manager and (or) custodian may become impossible;
3) Continuous and efficient supervision of proper implementation of functions outsourced by the manager or giving instructions to the person to whom implementation of functions have been outsourced and which concern the management of the fund's assets will become impossible;
4) A situation is created where the manager is not practically managing the fund.
9. Central Bank regulations stipulate the maximum part of the fund's (sub-fund's) assets, the investment function of which may be outsourced to a third party (parties).
10. The fund's prospectus (the rules (charter) of open-ended fund) shall stipulate the list of those management functions, which may be outsourced to a third party.
11. The provisions on carrying out supervision and imposing sanctions on the manager, as provided for by this Law, shall apply to the counterparties as well, to the extent of outsourced operations implemented.
12. If the manager detects that the operations of the Counterparty violate or may violate the requirements of this Law, regulations adopted pursuant to this Law or the requirements of the outsourcing agreement, the manager shall require the counterparty to immediately eliminate the violation. Where the counterparty fails to eliminate the violation within a reasonable time stipulated by the manager, the manager may

unanimously rescind the management functions outsourcing agreement.
2. The Central Bank may also require cancellation of the management functions outsourcing agreement as provided for by party 12 of this Article, if the counterparty has violated this Law or other regulations adopted pursuant to this Law, which may jeopardize the legitimate interests of the fund shareholders. The request of the Central Bank shall be binding for all parties and should be met within reasonable terms and according to the procedure stipulated by the Central Bank.

ARTICLE 71. TRANSFERING THE MANAGEMENT OF THE FUND TO ANOTHER MANAGER

1. The manager (transferring manager) may transfer to another manager (acquiring manager) the management of a fund that it manages only based only if the fund's meeting (if it exists) approves the contract for management transfer and the Central Bank Board grants its preliminary consent pursuant to the this Law and Central Bank regulations. That right of the manager and the mode of its application shall me mentioned in the fund management contract (fund rules). The management of a fund founded on trust may be transferred to another manager by transferring its share in the fund's assets to another manager and by signing with the later the contract envisaged by part 2 of this Article.
2. For transferring the management of the fund, the transferring and acquiring managers sign a fund management transfer contract, which shall stipulate the rights and obligations of the parties. It cannot include provisions that violate or may violate the right and legitimate interest of fund shareholders.
3. Before signing the contract envisaged by part 2 of this Article, it shall be approved by the boards of transferring and acquiring managers. If the transferring manager is under interim administration or is being liquidated, then the transfer contract shall be signed by the head of administration or liquidation manager or the chairman of the Liquidation Commission.
4. The contract for transferring the management of the fund shall enter into force on the day mentioned in that contract, but not earlier than the day the Central Bank grants the preliminary consent stipulated in this Article.
5. From the moment the fund management contract enters into force, the acquiring manager becomes a party to the respective fund management contract, having the status of a manager for that fund, and all the rights and obligations arising from that contract of the transferring manager shall be transferred to the former.
6. To acquire the Central Bank's preliminary consent for the transfer of the management of the fund, the transferring and acquiring managers shall jointly submit the Central Bank the following documents and information, in compliance with the form and procedure stipulated by Central Bank regulations.
1) the application for acquiring consent for the transfer of fund management ;
2) the fund management transfer contract of the fund;
3) the decision of the fund meeting (in case it exist) on approving the fund management transfer contract;
4) the calculation of prudential standards of the transferring and acquiring managers;
5) the amendments in connection with the transfer of the management of fund in the

business plans of transferring and acquiring managers;
6) Other information stipulated by Central Bank regulations.
7. Within 30 working days after the submission of all necessary documents and information envisaged by part 6 of this Article, the Central Bank shall make decision on giving its consent on the transfer or denying the application.
8. By the decision on giving its consent for the transfer, the Central Bank shall also register the respective amendments in the fund's management agreement (fund rules), which shall enter into force from the moment the fund management transfer contract enters into force.
9. Central Bank shall reject the application for granting consent for the transfer of grant management, if:
1) The submitted documents or information do not comply with this Law, with the regulations adopted based on this Law, are false or the information contained therein is not reliable or have shortcoming and those shortcoming have not be eliminated within the timeframe stipulated by point 1 of Article 111 of this Law;
2) Per the justified opinion of the Central Bank, the transfer of the management of the fund may endanger the rights and legitimate interests of fund shareholders;
3) Per the justified opinion of the Central Bank, the transfer of the management of the fund may endanger the financial strength of the transferring or acquiring manager;
4) Per the justified opinion of the Central Bank, in case the management of the fund is transferred, the acquiring Company will not comply with the requirements of this law and central Bank regulations;
5) The amendments in the business plan to not comply with the requirements of this law and Central Bank regulations, or per the justified opinion of the Central Bank, the amended business plan is unrealistic or by acting in compliance with that plan, the manager may not indulge in fund management activities in due manner;
6) Per the justified opinion of the Central Bank, the transfer of fund management may result in limitation of business competition.
10. Within five days from the day the Central Bank decision on granting consent for the transfer of management of fund enters into force, the acquiring manager is obliged to publish an announcement about that in a newspaper with at least 3000 copies of circulation in the Republic of Armenia, in electronic media broadcasted in the Republic of Armenia, and in its own website.
11. In case the fund the management of which is being transferred has a fund meeting, in the announcement envisaged by part 10 of this Article the right stipulated by part 12 of this Article of the shareholders of the respective fund shall be mentioned.
12. The shareholders of the fund that has a fund meeting, who in the meeting have voted against the transfer of the management of the fund or have not participated in the voting of that particular issue, have the right to request the repurchase of their shares (stocks), pursuant to republic of Armenia's Law "On Joint Stock Companies", in case otherwise is not regulated buy this Law. The peculiarities of contractual funds shall be taken into consideration when a request of repurchase of shares is presented.
13. In case the fund meeting does not approve the contract for management transfer of the fund, the manager may resign from the management contract, if the legitimate interests of the fund shareholders are ensured, and if the preliminary consent of the Central Bank has been received pursuant to Central Bank regulation.

14. Central Bank's preliminary consent envisaged in this Article is not needed for the management transfer of qualified investors fund, and for the resignation envisaged in this Article of the manager from the contract for transferring the management of qualified investors fund.
15. Management of a mandatory pension fund may be transferred to another manager, only when the license of that manager is revoked (the authorization to manage mandatory pension fund), as well as a preliminary consent of the Central Bank for self-liquidation is acquired (the authorization to manage mandatory pension fund is revoked). The peculiarities of transferring the management of mandatory pension fund are stipulated by the Republic of Armenia's Law "On Funded Pensions".

CHAPTER 13

REORGANIZATION AND LIQUIDATION OF THE MANAGER

ARTICLE 72. REORGANIZATION OF THE MANAGER

1.The manager shall be reorganized exclusively through merger with another manager or reformation.
2.The investment firm shall be reorganized in procedures set forth by the Civil Code of the Republic of Armenia, this Law and other laws.

ARTICLE 73. MERGER PROCEDURES

1. In case of a merger of one or more managers with another manager, the merging managers shall execute merger contract, upon prior agreement with the Central Bank.
2. In order to get the agreement for execution of the merger contract, the manager (managers) shall, in procedures, form and terms defined by the Central Bank, submit to the Central Bank:
1) An application for preliminary consent for the merger;
2) A resolution on merger of corresponding management bodies of the managers to be reorganized;
3) Essential conditions of the transaction;
4) Business plan kept up as a result of the merger for the forthcoming three years;
5) Information about persons in whose capital the surviving manager will be acquiring significant participation. Moreover, the surviving manager shall in line with the application for preliminary consent for the merger submit in accordance with the procedures defined by this Law and regulations of the Central Bank the application for preliminary consent to acquire significant participation in parties or affiliated parties in which it will acquire significant participation, as well as other documents as required.
6) Information about persons who will be acquiring significant participation in the surviving manager. Moreover, the surviving manager shall in line with the application for preliminary consent for the merger submit in accordance with the procedures defined by this Law and regulations of the Central Bank the application for preliminary consent to

the party or affiliated parties thereto acquiring significant participation in its charter capital, as well as other documents as required.
7) Other information set forth by regulations of the Central Bank.
3.The Board of the Central Bank, within one month from receiving the necessary documents and information specified in part 2 of this Article shall make a decision on giving or denying the preliminary consent, stipulated in part 1 of this Article.
4. The Board of the Central Bank shall deny execution of the merger contract,
1) The merger of the investment firm (companies) or submitted documents are in conflict with laws or other legal acts (particularly, the surviving manager that has the right or that has acquired the right to manage pension funds, as a result of the merger does not comply with the requirements of the Republic of Armenia's Law "On Funded Pensions"), are false or the information contained therein is not reliable or have shortcoming and those shortcoming have not be eliminated within the timeframe stipulated by the Central Bank;
2) Per the reasonable judgment of the Central Bank, the financial position of the surviving manager as a result of the merger will be significantly jeopardized or the requirements set forth by this law or regulations of the Central bank will be violated.
3) Per the reasonable judgment of the Central Bank, due to the merger, the manager or the entity having significant participation in the manager or its related entities will gain superior or monopoly position on the securities market.
4) Per the reasonable judgment of the Central Bank, due to the merger, interests of shareholders of funds managed by any of the parties or interests of customers of any the parties will be endangered.
5) The Central Bank has denied any of the applications mentioned in points 5 or 6 of part 2 of this Article to grant preliminary consent;
6) The submitted business plan does not comply with the requirements of this Law and the regulations of the Central Bank adopted on the basis of this Law, or per the justified opinion of the Central Bank, the business plan is unrealistic or by acting in compliance with that plan, the surviving manager may not indulge in fund management activities in due.
5. Within one month after getting the preliminary consent of the Central bank, merging managers shall, attached to the application submit the merger contract for approval to the Board of the Central Bank, as well as other documents and information required by the regulations of the Central Bank. The Board of the Central Bank shall approve the merger contract within 15 days after receipt, if the contract meets the conditions of the preliminary consent.

ARTICLE 74. LEGAL CONSEQUENCES OF MERGER

1.The managers that made a decision on merger, within the period defined by the merger contract, shall take measures stipulated in the merger contract, approve the act on transfer and along with the charter or the amendments and supplements to the charter of the surviving manager shall submit to the Central Bank for registration, in procedures set for the by this law and regulations defined by the Central Bank. An application to reformulate the permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 granted to the merging manager (managers)

that is not present with the surviving manager, shall also be submitted to the Central Bank,
2. From the moment of registration with the Central Bank of the charter or the amendments and supplements to the charter of the surviving manager, a record on cessation of the activity of the merged manager (managers) shall be made in the registration log. From the moment of such record, the surviving manager shall be considered reorganized.

ARTICLE 75. MERGER NOTIFICATION

Within three days of receiving the preliminary consent of the Central Bank for merger, the merging managers shall, in procedures defined by the Central Bank, to publish an announcement about that on their Internet sites and in a daily newspaper with a circulation of at least 3000 copies in the territory of the Republic of Armenia.

ARTICLE 76. REORGANIZATION OF THE MANAGER

1. A manager that is a joint stock company may be reorganized only into a limited liability company.
2. A manager that is a limited liability company may be reorganized only into a joint stock company.

ARTICLE 77. GROUNDS FOR LIQUIDATION OF THE INVESTMENT FIRM

1. The manager shall be liquidated:
1) By the decision of the General Meeting of participants of the manager (self-liquidation);
2) In case of recognition of the license void according to Article 59 of this Law;
3) In case of bankruptcy of the manager.

ARTICLE 78. LIQUIDATION OF THE INVESTMENT FIRM EFFECTIVE BY THE DECISION OF THE GENERAL MEETING OF PARTICIPANTS (SELF-LIQUIDATION)

1. General Meeting of participants shall have the right to make a decision on liquidation of the manager, if the manager has fulfilled all obligations resulting from fund management and service provision contracts envisaged in parts 4 and 5 of Article 52 of this Law and if the manager has sufficient resources to meet the requirements of all other creditors.
2. In case of liquidation of the manager as resolved by the decision of the General Meeting, The General Meeting shall render a decision on applying to the Central Bank for preliminary consent. The General Meeting, based on such decision shall submit to the Central Bank an application for preliminary consent on liquidation by attaching the documents and information that justify the liquidation, the list of which shall be defined by regulations of the Central Bank.
3. The Central Bank Board shall, within a 90-day period, discuss the application for preliminary consent on liquidation of the manager and make a decision on granting or

refusal of the application.
4. The Central Bank Board shall be entitled to refuse the application for preliminary consent on liquidation of the manager, if in the reasonable judgment of the Central Bank Board the liquidation may jeopardize the rights and legitimate interests of the shareholders of the funds managed by the manager and (or) customers of the manager or the manager will not be able to duly fulfill its obligations.
5. If the Central Bank Board grants a preliminary consent on liquidation to the manager, the manager in accordance with the requirements of this Law shall transfer to another manager (managers) the management of all funds that it manages or has to unilaterally repudiate from the contracts for managing those funds, as well as shall take measures to duly fulfill all its obligations resulting from service provision contracts signed with its customers that are envisaged in parts 4 and 5 of Article 52 of this Law.
6. Only after the manager transfers to another manager (managers) the management of all funds that it manages or unilaterally repudiates from the contracts for managing those funds, as well as takes measures to duly fulfill all its obligations resulting from service provision contracts signed with its customers that are envisaged in parts 4 and 5 of Article 52 of this Law, the General Meeting shall be entitled to make a decision on liquidation.
7. After adopting a decision on liquidation, the manager shall submit to the Central Bank, within a three day period, an application for liquidation permission, by attaching the documents and information that justify the liquidation, the list of which shall be defined by regulations of the Central Bank.
8. Within 30 days the Central Bank Board shall examine the manager's application for liquidation permission and make a decision on granting or refusal of the application.
9. The Central Bank Board shall have the right to refuse the application for receiving the liquidation permission, if the manager is still managing a fund, the management of which has not transferred to another manager (managers) or the management contract of the respective fund has not been terminated, and (or) there are obligations resulting from service provision contracts signed with its customers that are envisaged in parts 4 and 5 of Article 52 of this Law, and (or) the manager will not be capable to satisfy the claims of its other creditors.
10. In case of granting liquidation permission, the Central Bank Board shall also adopt a decision about recognizing the manager's license, as well as the decision to grant permission to provide a service (services) envisaged by parts 3 and (or) 4 or 4 and 5 of Article 52 (in case the manager has acquired such a permission) void.

ARTICLE 79. LIQUIDATION COMMISSION OF THE MANAGER

1. The Liquidation Commission of the manager shall be established within 5 days after the adoption by the Central Bank of a decision on granting permission for liquidation of the manager.
2. A Liquidation Commission shall be established to liquidate the manager, to sell its property (resources) and satisfy the lawful claims of creditors.
3. The Liquidation Commission shall consist of at least three members. The Chairman and members of the Liquidation Commission can only be the entities that have the professional qualification set forth by this Law.

4. Before the formation of the Liquidation Commission, its authorities shall be exercised by the executive body of the given manager, unless otherwise defined by the Charter of the manager.
5. From the moment of establishment of the Liquidation Commission, all management authorities of the manager to be liquidated shall be transferred to the Liquidation Commission.
6. Within 5 days of the establishment of the Liquidation Commission, the Liquidation Commission shall make an announcement in a daily newspaper with a circulation of at least 3000 copies within the territory of the Republic of Armenia and shall notify the Central Bank about the liquidation of the manager and the procedures for submission of climes by creditors, the period of which cannot be less than 60 days.
7. If no Liquidation Commission is formed, the Liquidation Commission of the manager shall be established by the decision of the Central Bank Board.

ARTICLE 80. LIQUIDATION PROCEDURES OF THE MANAGER

1. Management bodies of the manager shall be obliged, within a three- day period upon the establishment of the Liquidation Commission, to hand over to the Liquidation Commission the seal, stamp-seals, lead seal, letterheads, documents, material and other values.
2. Within 3 days upon the establishment of the Liquidation Commission, the Chairman of the Liquidation Commission shall apply to the authorized state body, in order to include the phrase “investment fund manager to be liquidated” in the company name of the manager subject to liquidation. Within three days upon receiving the application, the authorized state body shall make a change, by including the phrase “investment fund manager to be liquidated”, in the company name of the manager that should undergo liquidation.
3. The Liquidation Commission, after changing the company name of the manager to be liquidated, in procedures defined by part 2 of this Article, shall be obliged, within 15 days, to change the seal, stamp-seals, lead seal and letterheads, by including the phrase “investment fund manager to be liquidated.”
4. Before satisfying the climes of creditors, the Liquidation Commission shall:
1) Take inventory and assess assets and liabilities of the manager to be liquidated;
2) Take measures to reveal all creditors of the manager and to collect accounts receivable of the manager;
3) Take measures to sell the assets of the manager to be liquidated, to the best advantage;
4) Take measures to ensure fulfillment of available obligations towards the manager to be liquidated;
5) Define procedures for the distribution of resources, left after fulfillment of obligations of the manager, among participants.
5. Within a period of 7 days after deadline for submission of creditors‟ claims, the Liquidation Commission shall approve and publish, in a daily newspaper with a circulation of at least 3000 copies in the territory of the Republic, the interim balance sheet that shall include the following information:
1) The property structure of the manager;

2) The list of creditors‟ claims, including: total amount of claims reflected in the balance sheet of the manager or submitted to the manager, the amount due to each creditor, the order for claim satisfaction defined by this Law, as well as a separate list of claims rejected by it;
3) The results of discussion of claims made by the creditors;
4) Other information defined by Central Bank regulations.
6.The Liquidation Commission shall be required to present to the Central Bank one copy of the newspaper that published the liquidation balance sheet, on the day of publication. The Central Bank may oblige the Liquidation Commission to publish the interim liquidation balance sheet in a daily newspaper with a circulation of at least 3000 copies on the territory of the Republic of Armenia.
7. The Liquidation Commission shall fulfill the creditors‟ requirements in the order specified under Article 81 of this Law, in accordance with the liquidation balance sheet, starting the day of its publication.

ARTICLE 81. ORDER OF SETTLEMENT OF LIABILITIES

1. Obligations guaranteed by collateral shall be satisfied, extraordinarily, from the amount resulting from sale of the object of collateral guaranteeing the fulfillment of the given obligation. If the cost of the obligation exceeds the sale cost of the object of collateral guaranteeing the given obligation, the part of the obligation not guaranteed by collateral shall be satisfied along with the available obligations towards other creditors.
2. Liabilities of the investment firm shall be settled at the expense of liquidation assets in the following order:
1) First: the justified and necessary costs for performance of its authorities by the Liquidation Commission defined in this Law, including the remuneration of the Chairman and members of the commission and other equipollent payments;
2) Second: the claims arising from the contracts of fund management and provision of services envisage by part 4 and 5 of Article 52 of this Law;
3) Third: the claims that were not included in the first, second, fourth, fifth and sixth turns;
4) Fourth: the obligations of the manager towards the state and community budgets;
5) Fifth: the subordinated obligations
6) Sixth: the claims of the manager’s shareholders, as well as those of persons affiliated with the manager or its shareholders.
3. From the number of creditors of the manager, the claims of which should be satisfied in the second, third and fifth term of the satisfaction order, stipulated by part 2 of this Article, exclusion shall be made for the shareholders of the manager, entities affiliated to the manager and its shareholder, whose claims shall be satisfies in the sixth term.
4. Creditors of the same turn shall have equal rights of settlement of their claims by the manager. The claims of the creditors within the same turn shall be settled only after full settlement of claims of the previous turn.
5. If the Liquidation Commission rejects the creditor’s claims or avoids discussing them, the creditor shall have the right to appeal the actions of the Liquidation Commission in court prior to the approval of the liquidation balance of the manager. If the creditor’s claims are subject to settlement within the turn, which the Liquidation Commission is

settling at that moment, then the court may suspend the settlement of the liabilities by the Liquidation Commission within the given turn, until the issuance of a court decision.
6. If the creditor made a claim after expiration of the period for fulfillment of liabilities set forth by this Law, then its claim shall be settled at the expense of those liquidation assets that will remain after fulfillment of claims forwarded in due time.
7. If the creditor that made a claim and was registered with the Liquidation Commission failed to appear to collect what he claimed within the time period allowed for settlement of liabilities in the given turn announced in daily newspapers with at least 3000 circulation within the Republic of Armenia, then the assets or goods assigned for such a creditor shall be transferred in legally established procedure as a notary deposit or shall be put into custody.
8. Prior to the settlement of liabilities in each turn, the Liquidation Commission shall publish information on the venue, procedures and deadlines of settlement of liabilities of the given turn in a daily newspaper with at least 3000 circulation within the Republic of Armenia. The main information on the venue, procedures and deadlines of settlement of liabilities, as well as any amendments to such shall acquire legal power on the next day after the publication in a daily newspaper with at least 3000 circulation.
9. The deadline for settlement of liabilities included in the second turn shall be no less than 21 days. If such deadline is missed for whatsoever reason, it shall not be reinstated.
10. The claims that were rejected by the Liquidation Commission and not appealed in court, as well as those that were rejected by court shall be considered remitted.

ARTICLE 82. OVERSIGHT OF THE LIQUIDATION COMMISSION AND REPORTING

1. For the purpose of oversight of the manager’s liquidation process, the Central Bank may conduct an audit of the given manager, in procedures established by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”.
2. The Liquidation Commission shall be required to submit reports to the Central Bank in procedures, forms, periodicity and deadlines set forth by Central Bank regulations.
3. The Liquidation Commission shall be required periodically, but not less than once in a month, to publish information on its activities in a daily newspaper with at least 3000 circulation within the Republic of Armenia, in procedures and forms defined by Central Bank regulations.
4. The Central Bank shall have the right to request from the Liquidation Commission any information on the activities of the Liquidation Commission.

ARTICLE 83. APPROVAL OF THE LIQUIDATION BALANCE SHEET. TERMINATION OF ACTIVITIES OF THE LIQUIDATION COMMISSION

1. After settlement of liabilities with creditors the Liquidation Commission shall develop the liquidation balance sheet of the manager and submit it to the Central Bank, within 3 days of its approval by the General Meeting of Shareholders of the manager subject to liquidation.
2. Within 10 days the Central Bank shall issue a resolution on approval or rejection of the liquidation balance sheet, specifying bases for rejection. The Central Bank shall

reject approval of the liquidation balance sheet in case, when the Liquidation Commission violates the provisions of this Law.
3. If the Central Bank does not approve the liquidation balance sheet, within 10 days the Liquidation Commission shall eliminate the reasons underlying the rejection by the Central Bank and, after approval of the new liquidation balance sheet by the General Meeting of Shareholders of the manager subject to liquidation, submit a new application for approval to the Central Bank. The Central Bank shall consider that application in procedures defined in part 2 of this Article.
4. Within 3 days of the issuance of the resolution on approval of the manager's liquidation balance sheet, the Central Bank shall make a record in the managers" registration log on taking the manager firm to be liquidated out of the list. After that, the manager shall be considered liquidated and its activities shall be considered terminated. The Central Bank shall notify about that the agency implementing state registration of legal entities.
5. Within 3 days of the issuance of the resolution on approval of the manager's liquidation balance sheet by the Central Bank, the Liquidation Commission shall, in procedures and forms defined Central Bank regulations, publish information on liquidation of the manager and then be relieved of responsibilities associated with the manager liquidation.

ARTICLE 84. REMUNERATION OF MEMBERS OF LIQUIDATION COMMISSION

1. Remuneration of the members of the Liquidation Commission shall be made at the expense of the assets of the manager being liquidated.
2. The Central Bank by regulations may define limits for remuneration of members of the Liquidation Commission.

ARTICLE 85. THE LIQUIDATIONS OF THE MANAGER AS RESULTS OF REVOKING THE MANAGER"S LICENSE AND BANKRUPTCY

1. The provisions of part 5 of Article 78 and Articles 70 – 84 shall apply to the manager's liquidation, in case the manager's license has been revoked on the basis of points 1-7 and 9 of part 1 of Article 59 of this Law.
2. The procedure of liquidation of the manager as a result of manager's bankruptcy and other issues in connection with bankruptcy shall be regulated by the Republic of Armenian's Law "On Bankruptcy of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies".

SECTION 5.

FUND CUSTODY

CHAPTER 14.

THE CUSTODIAN

ARTICLE 86. THE CUSTODIAN

1. The assets of the fund pursuant to a custody contract shall be transferred to a custodian not affiliated with the manager. During the lifetime of the contract envisaged in this part, the manager and the custodian shall take reasonable measures to prevent circumstances leading to affiliation between themselves. And in case such circumstances arise, within 6 months eliminate those. The manager and (or) the custodian bear responsibility for the occurrence of circumstances leading to affiliation envisaged in this part, in case it is their fault.
2. As a custodian may serve such bank operating on the territory of the Republic of Armenia, which pursuant to the republic of Armenia's Law "On Securities Market" provides securities custody services. Additional requirements may be applied by the Republic of Armenia's Law "On Funded Pensions" to the custodian of a pension fund.
3. The custody of assets of a single fund may be done only by a single custodian, personally or through sub-custodian (sub-custodians).
4. The custodian simultaneously may not serve as the manager of the particular fund, excluding the cases stipulated by this Law, when the custodian acts as the interim manager of the fund during the absence of the manager. Meanwhile, in such cases the custodian shall take measures to transfer pursuant to Article 71 of this Law the management of the fund to another manager in the earliest possible time or to merge the fund to the fund managed by the later, and when selecting the manager adhere to the principle of ensuring maximum protection of shareholders of the fund. In cases envisaged by this Law, the custodian shall manage the fund during the liquidation (termination) of the fund, as well as in cases envisaged by republic of Armenia's Law "On Bankruptcy". While managing the fund in cases envisaged by this Law, the provisions stipulated for the manager in this Law, other regulations and the rules (charter) of the particular fund shall apply, if otherwise is not stipulated or does not stem in this Law.

ARTICLE 87. THE OBLIGATIONS OF THE CUSTODIAN

1. The custodian shall take into deposit, safe keep and record the fund's assets, services the transactions conducted on behalf of the fund, and based on those transfer the assets.
2. The custody of the fund may not include the taking into deposit of the assets.
3. In addition to the authorities of the custodian stipulated by the Republic of Armenia's Law " On Securities Market", the custodian, pursuant to this Law and Central Bank regulations is obliged to:
1) Ensure that the issuance, underwriting, repurchase (redemption) and exchange of shares (stocks) be done pursuant to the law, regulation pursuant to the law and fund rules (charter);
2) Ensure that the net asset value and accounting value of the shares (stock) are calculated pursuant to the law, regulation pursuant to the law and fund rules (charter);

3) Supervise the transactions with fund assets, so that the transactions in connection with those are made in timeframes stipulated by legislation, and in case no such timeframes are stipulated, within generally accepted timeframes;
4) Carry the manager's instructions, in case those do not contradict the law, regulation pursuant to the law and fund rules (charter);
5) Ensure that the assets of the fund are used, as well as ensure that the income of the fund is distributed pursuant to the law, regulation pursuant to the law and fund rules (charter);
6) Periodically compare with the manager the stock and the flow of the fund;
7) In cases stipulated by law, when the authorization of the manager to manage the fund is terminated, to manage the fund until pursuant to this Law the management of the fund is transferred to another manager or merger of the fund with a fund managed by the later;
8) Conduct the liquidation (termination) of the fund, in case the manager is absent;
9) Implement other functions stipulated by this law, other laws and regulations.
4. The custodian is obliged within one working day to inform the Central Bank and the board of the manager in writing, when it finds violations of the requirements of the law, regulations adopted pursuant to the law and fund rules (charter), while implementing its responsibilities.
5. The custodian shall bare responsibilities for causing damages (including lost income) to the manager or fund shareholders as a result of its actions or inaction, excluding when it proves that it has acted within its fiduciary duties. Meanwhile, the fund manager may directly or indirectly bring a claim for remedying the damages caused to the fund shareholders.

ARTICLE 88. ADDITIONAL REQUIREMENTS FOR THE CUSTODIAN

1. The provisions concerning the custodian stipulated by the Republic of Armenia's Law "On Securities Market" shall apply on the custodian, if this law does not regulate otherwise.
2. The internal organizational structure and operations system, financial strength, venue of business, the professional aptitude and experience of persons involved in operations and functions of the custodian shall be sufficient to conduct the functions envisaged by the law, regulations and custody contract.
3. The central Bank may stipulate additional requirements for the structure and activities of custodians.
4. While fulfilling its responsibilities, the custodian shall act in accordance with the fund shareholders‟ interests, implement its rights and fulfill its obligations towards the fund shareholders in good faith and reasonably and adequate level of professionalism (fiduciary duty).
5. The contract signed between the fund and the custodian (manager of the contractual fund) may not limit the responsibility of the manager stipulated by this and other laws.

ARTICLE 89. OUTSOURCING OF FUNCTIONS OF CUSTODY

1. The custodian may outsource to a third party a certain part of its functions or all

functions of certain assets of a fund, pursuant to a sub-custody contract signed with the later. Meanwhile, no such situation shall be created, when as a result of outsourcing of functions by the custodian, the latter is not practically conducting the fund's custody.
2. The sub-custody contract shall clearly specify the specific functions that are being outsourced or the specific assets the custody of which is outsourced, as well as other provisions stipulated by part 5 of Article 70 of this Law for the contract for outsourcing the manager's functions.
3. The custodian shall be convinced that the third party to whom the custodians functions are being outsourced has sufficient organizational, technical, financial resources and capacities to implement the outsourced functions in due manner.
4. Only the person having the right to be the custodian of the respective type of assets may be act as a sub-custodian, and in case when additional functions stipulated by part 2 of Article 86 are being outsourced, the person that complies with the stipulated requirements (for functions being implemented outside the territory of the Republic of Armenia, the person having the right to be the custodian of the assets of the fund, in accordance with the legislation of the respective country). The sub-custodian contract may not be signed with the manager of the particular fund or a person affiliated with the later. During the lifetime of the sub-custody, if circumstances leading to affiliation between the sub-custodian and manager arise, the custodian shall within 6 months from the moments such circumstances arise terminate the sub-custody contract, if such circumstances are not eliminated before the 6-month deadline.
5. The provisions on carrying out supervision and imposing sanctions on the custodian, as provided for by this Law, shall apply to the sub-custodian as well, to the extent of outsourced operations implemented, excluding the case, the sub-custodian is only responsible to take into deposit (safe keep) the fund's assets, as well as if the sub-custody functions are being implemented by a foreign legal entity operating outside the territory of the Republic of Armenia.
6. The custodian is obliged to supervise that the sub-custodian duly implements the outsourced functions and protects the legitimate interests of the fund shareholders, and shall bare responsibility for the damages caused by action or inaction of the sub-custodian. In this case the custodian acquires regressive rights against the sub-custodian.
7. The custodian shall obtain the preliminary consent of the Central Bank for outsourcing its custodian functions, pursuant to the provisions stipulated by Article 70 of this Law for the contract of outsourcing manager's functions.
8. The sub-custodian is obliged to ensure the duly implementation of supervision by the custodian, as envisaged by part 6 of this Article.
12. If the custodian detects that the operations of the sub-custodian violate or may violate the requirements of this Law, regulations adopted pursuant to this Law or the requirements of the sub-custody contract, the manager shall require the sub-custodian to immediately eliminate the violation. Where the sub-custodian fails to eliminate the violation within a reasonable time stipulated by the custodian, the custodian may unanimously rescind the sub-custody contract.
2. The Central Bank may also require cancellation of the sub-custody contract as provided for by part 9 of this Article, if the sub-custodian has violated the laws or other regulations, which may jeopardize the legitimate interests of the fund shareholders. The

request of the Central Bank shall be binding for all parties and should be met within reasonable terms and according to the procedure stipulated by the Central Bank.

ARTICLE 90. THE CHANGE OF CUSTODIAN

1. The custody contract of the fund may be terminated by the mutual agreement of the contractual fund manager or the corporate fund and custodian, if such possibility is envisaged by fund rules (charter) and fund custody contract, if the preliminary consent of the board of the Central Bank has been acquired pursuant to the Central Bank regulations, and if the legitimate interest of the fund's shareholders are protected The preliminary consent of the Central Bank envisaged by this part is not needed for qualified investors funds. In case there is no mutual agreement envisaged by this part with the corporate fund (manager of the contractual fund), the custodian has the right by complying to all other requirements envisaged by this part unilaterally terminate the fund custody agreement, by informing the manager about the termination in writing and in advance, but not later than 90 days before the termination date of the contract. Meanwhile, the copy of the decision of the Central Bank on granting preliminary consent to the termination of the contract shall be attached to the notification envisaged by this part, except cases of termination of custody contracts of qualified investors.
2. The manager of the contractual fund or the corporate fund may unilaterally terminate the custody contract with the custodian only on the basis stipulated by part 3 of this Article, for which the preliminary consent of the Central Bank is required. The preliminary consent envisaged in this part shall not be required for qualified investors funds.
3. On the request of the Central Bank, the manager of the contractual fund or the corporate fund, for the protection of the legitimate interests of the fund shareholders, if the custodian is not fulfilling its responsibilities stipulated by law, regulations adopted pursuant to the law or fund rules (charter) or repeatedly or intentionally or maliciously has violated the requirement of properly implementing those, as well as if after circumstances of affiliation arise between the manager and custodian, within six months those have not been eliminated, is obliged to terminate the fund custody contract signed with the custodian, within the deadline stipulated by the Central Bank.
4. In case the custodian agreement is terminated pursuant to parts 1, 2, and 3 of this Article, the custodian is obliged to continue fulfilling its responsibilities stipulated by law, regulations adopted pursuant the law or fund rules (charter), until a contract is signed with the new custodian and the fund assets are transferred to the later.
5. The fund custody contract shall be terminated if the banking license of the custodian is revoked, and in case of pension funds, from the moment the later pursuant to the Republic of Armenia's Law "On Funded Pensions" prohibited from acting as a custodian of a pension fund.
6. When a custody agreement is signed between the contractual fund manager or the corporate fund and custodian, as well as amendments are made in the custody agreement, those amendments (the contract) shall be submitted to the Central Bank with 10 days. The submitted amendments (contract) is subject to registration by the board of the Central Bank and shall enter into force upon registration. The registration of the contract signed with the new custodian is done simultaneously with amending the

rules of the contractual fund.
7. The Central Bank board shall deny the amendments of the contract or the registration of the new contract envisaged by part 6 of this Article, if those do not comply to the requirements stipulated by this law and regulations adopted pursuant to this Law.
8. The provisions concerning the amendments of the contract or the registration of the new contract envisaged by parts 6 and 7 of this Article do not apply to qualified investors funds, and the amendments of the custodian contracts or the registration of the new contracts of those shall be registered by the Chairman if the Central Bank, without inspecting the content, if there is no request from a shareholder of the fund to inspect the compliance of those amendments or contract to the requirements stipulated by this Law and regulations adopted pursuant to this Law by the Central Bank.

SECTION 6

DISCLOSURE OF INFORMATION

CHAPTER 15

THE PROSPECTUS, REPORTS, EXTERNAL AUDIT AND OTHER MEANS OF DISCLOSING INFORMATION

ARTICLE 91. THE PROSPECTUS

1. The provisions stipulated by the Republic of Armenia's Law "On Securities Market", shall apply on the fund's, excluding the open-ended fund, structure, applicability, timeframes, registration, publication, and other issues of the prospectus. The peculiarities of the form and content of the prospectus of the securities issued by the fund shall be stipulated by the regulation of the Central Bank.
2. The rules (charter) of the open-ended funds shall be considered as a prospectus, on which the Republic of Armenia's Law "On Securities Market" shall not apply. The manager of the open-ended fund shall always ensure the availability of the fund's rules (charter) for the investors. For ensuring the availability of fund rules (charter) envisaged by this Article, the Central Bank regulations may stipulate publication requirements for fund rules (charter).

ARTICLE 92. REPORTS

1. The manager shall prepare, publish and submit its and for each fund that it manages annual and quarterly financial and other reports to the Central Bank. The forms of reports, the terms and procedures for the submission and publication thereof shall be defined by regulations of the Central Bank, which when concerning the pension funds shall comply with the provisions stipulated by Republic of Armenia's Law "On Funded Pensions".
2. The manager shall prepare and submit the financial reports to be published according

to the Republic of Armenia's law "On Accounting".
3. Central Bank regulations may stipulate the obligation of the manager to inform the Central Bank about specific decisions and the procedure of informing thereof.
4. Information published by the manager or to be submitted to the Central Bank should be complete and accurate.
5. The reports of qualified investors funds envisaged by part 1 of this Article and prepared by the manager shall be submitted to the Central Bank only upon the request of the later, and the requirement stipulated by this Article of publication thereof does not apply to those.

ARTICLE 93. THE INFORMATION PROVIDED TO THE FUND SHAREHOLDERS

1. The manager is obliged to provide the fund shareholder upon the first request of the later any information that is subject to publication pursuant to this law and regulations. Meanwhile, no fee may be charged for providing the last annual report and the auditor's conclusion about it, as well as the prospectus (rules (charter) of the open-ended fund) of the fund.
2. The Central Bank has the right to stipulate by its regulations detailed requirements concerning structure, format, content and procedure of providing of information, reports and other similar documents by the manager to the fund's shareholders.

ARTICLE 94. INFORMATION SUBJECT TO MANADATORY PUBLICATION

1. The manager shall have an all-time-available website, and shall undertake to place the following information on their website, at least in Armenian:
1) Financial statements (at least the latest annual and quarterly reports) and external audit's report on financial statements. Meanwhile, the financial statements and external audit's report mentioned in this point shall be published in a newspapers having at least 3000 copies of circulation in the Republic of Armenia;
2) The net asset value of each fund and the last calculating value of shares (stocks) issued by them, calculated pursuant to the method and timeframes stipulated by this Law, underwriting and redemption prices, as well as the structure of portfolio of each fund. Meanwhile, any publication that includes the information envisaged by this point shall include a note, which states that the published underwriting (redemption) price is the underwriting (redemption) price of those shares (stocks), the request of acquisition or subscription (redemption) of which has been presented on the day of publication (until the respective time), if by the rules (charter) of the close-ended fund another method for deciding the underwriting price of shares (stocks) is not stipulated.
3) Announcement on convening a subsequent or extraordinary general meeting of the fund, as well the decisions adopted by the fund's meeting. Meanwhile, the announcement and the decisions of the fund meeting mentioned in this point shall be published in a newspapers having at least 3000 copies of circulation in the Republic of Armenia;
4) The decisions on paying dividends to the fund shareholders;
5) Information on entities possessing a qualifying holing in the charter capital of the manager, the directors of the manager, as well as the authorities and scope of

responsibilities of the directors;
6) The rules (charter) of the manager and each fund, as well as amendments and addendums in those;
7) Information on the custodian of each fund;
8) Other information envisaged by Republic of Armenia's Law "On Funded Pensions" (in case it manages pension funds);
9) Other information stipulated by Central Bank regulations that are not considered to be commercial or official secret.
2. The regulations of the Central Bank may stipulate the format, method (including the means of publication) and frequency of publishing the information mentioned in part 1 of this Article, as we as other information (except information constituting commercial or other or official secret).
3. When posting information about the fund envisaged by part 1 of this Article and subject to mandatory publication, the manager that is engaged in activities of managing pension fund, shall in the first place mention about the pension fund.
4. The information subject to publication pursuant to this Article shall be accessible in the venue of conducting business of the manager, as well as in the place of business of its branches and representative offices and shall be provided to any person upon the first request of the later. Meanwhile, the fee being requested for providing the information shall not exceed the reasonable expenses of preparation (in case of mailing, the mailing expenses) thereof. The announcement on the possibility of acquiring the information mentioned in this part, and the procedure of acquiring the information shall be visibly posted in the business venue of the manager and its branches and representative offices.
5. Information published or provided by manager in accordance with this Article should be accurate and complete.
6. The rules of this Article do not apply to those managers that exclusively manage qualified investors funds.

ARTICLE 95. THE ADVERTISEMENT OF THE FUND AND (OR) THE MANAGER

1. The manager is obliged pursuant to Central Bank regulations to submit to the Central Bank the information published as an advertisement of itself or the fund that it manages, no later than the day of publication, except in cases stipulated by Republic of Armenia's Law "On Funded Pensions".
The manager of a pension fund is obliged pursuant to Republic of Armenia's Law "On Funded Pensions" to get the preliminary consent of the Central Bank for the content of each information constituting advertisement of the pension fund that it manages or the management thereof.
The rules on submitting to the Central Bank any information stipulated by this part and constituting advertisement of the pension fund that it manages or the management thereof and informing the pension fund manager about granting or denying the consent shall be stipulated by the Central Bank
2. Any advertisement, announcement about the fund or any action directed towards the offer and (or) sale of fund's shares (stocks), document (including prospectus) or means of communication information shall include a clearly visible and separated from other

information note, that the fund and its manager cannot guarantee the fulfillment of purposes declared by the fund. The means of communication envisaged by this part shall not contain any assertion, which contradicts to any information contained in the prospectus or downplays its importance, and shall contain a note about the existence of the prospectus and on how the investors or potential investors may obtain or familiarize themselves with that document.
3. Any advertisement or announcement about the manager engaged in pension fund management shall contain a note that the manager is a pension fund manager.
4. Managers shall not in their advertisements, public offerings or in any other announcements made in their name:
1) Use such misleading information or statements made by other entities on the given asset manager, which may lead to a misleading assumption on the financial standing of the manager, its position in the financial market, reputation, business reputation or legal status thereof;
2) Guarantee forecasted or expected growth of assets of funds that they manage, as well as payable dividends and the forecasted amounts of funded pensions;
3) Through unjustified or misleading promises influence the person and induce the later chose that particular asset manager;
4) Use unfair competition methods, and mention any shortcomings of other managers and (or) funds, independent of the circumstances that that information is correct or not.

ARTICLE 96. EXTERNAL AUDIT

1. In order to control the financial and business operations of the manager and the fund that it manages, each year the manager shall contract an independent auditing firm authorized to perform audit (hereinafter – external auditor) as defined by applicable law. The meeting of the fund (manager's board if the fund does not have a meeting) shall appoint the independent auditing firm according to the procedure established by the Central Bank.
2. Prudential regulations of the Central Bank may stipulate additional requirements for auditors involved in the audit of financial and business operations of the fund (manager). Members of governing bodies of the manager, other directors and staff members, members and directors of the person who has conducted the internal audit of the manager, members of the supervising committee of the fund, as well as any person affiliated with the manager, its directors and staff members may not be a member (director) of the person conducting the external audit of the fund (manager).
3. An external audit of the fund may be invited anytime by the fund's meeting or manager's board, on the account of the fund, or by the initiative of the shareholder of the fund or the custodian, on their account. An external audit of the manager may be invited anytime by the manager's board, on the account of the manager, or by the initiative of the shareholder of the manager, on its account. Meanwhile, in case the external audit is invited by the fund's (manager's) shareholder or custodian, pursuant to parts 1 and 2 of the Article, the selection of the person that will conduct the external audit and the signing of the agreement shall be done by the shareholder (custodian) making that request, who may request from the manager compensation for the expenses made from the resources of the fund, if the audit, according to the decision of

the manager's board, was justified for the fund (manager).
4. In the contract to be concluded with the auditor, other than the stipulation of the obligation to prepare an audit conclusion, it shall be envisaged also the preparation of an audit report (management letter).
5. The manager in the contract to be concluded with the auditor shall also envisage the provision of conclusion on the following matters by the external auditor:
The auditor of Company shall also submit conclusion on the following issues:
1) The conformity of the fund (manager) to requirements of prudential standards established by this Law and Central Bank regulations;
2) The conformity of the supervising committee (internal audit), internal control system of the fund (manager) to the requirements established by this Law and Central Bank regulations;
3) The existence or the quality of the internal information system of the fund (manager);
4) The integrity and credibility of the reports submitted to the Central Bank.
5) The compliance of qualified investors fund rules (charter), fund custody, fund management contracts and amendments thereof to the requirements of this law and regulations (for the external audit of qualified investors fund).
6. Should an auditor, when performing its duties, reveal facts on substantial deterioration of the financial standing of fund (manager), as well as shortcomings of the internal systems (including the internal control system), it shall immediately, but not more than within 5 business days, notify the Central Bank thereupon.
7. The Central Bank may require the manager to invite an external audit of the manager and (or) a fund that it manages within 4 months, and publish the conclusions of the auditor in a national newspaper with at least 3000 print-run.
8. The manager shall provide the Central Bank with the annual conclusion of the external auditor and the report not later than May 1 of the year following the given financial year. The annual conclusion of the external auditor and the report for qualified investors funds shall be submitted to the Central Bank only upon its request.
9. Upon the request of the Central Bank, the auditor shall provide the Central Bank with the necessary documents relating to the audit of fund (manager), even if they constitute official information, commercial, banking or other secret. The submission of information envisaged by this part to the Central Bank shall not be considered an unlawful publication (submission) of a secret protected by law or official information. The auditor shall carry the responsibility established by law for failure to fulfill the obligations stipulated hereunder.
10. The joint prudential regulations of the Central Bank and state body authorized by the Republic of Armenia may stipulate more detailed requirements for an auditor as to the format and content of auditor's conclusions and the audit examination.
11. The Central Bank may request the auditor to submit additional explanations and clarifications on its conclusions and the report.
12. If the audit conclusions and/or the report have been prepared in violation of the requirements provided for by this Law, other laws and regulations or if the audit has not been conducted in accordance with the procedure stipulated by laws and other regulations, the Central Bank may refuse accepting it and require a new audit to be conducted by another auditor, at the expense of the fund and (or) manager.

ARTICLE 97. OFFICIAL INFORMATION

1.Under this Law, official information (hereinafter, “the information”) shall include: any information related to the fund’s (fund shareholder’s) account that has been revealed to the manager, custodian, as well as other person conducting certain fund management functions (including the Central Depository) in the course of servicing the fund (fund shareholder), as well as any information considered as a commercial or official secret of the fund (fund shareholder), and any other information that the fund (fund shareholder) has intended to keep secret and the manager, custodian, as well as other person conducting certain fund management functions was or should have been aware of such intention.
2. Information stipulated by part 1 of this Article concerning the fund (fund shareholder) furnished to the Central Bank by persons subject to supervision pursuant to this Law, in connection with that supervision, shall be considered official information.
3. The provisions of the Republic of Armenia’s law “On Securities Market” concerning the safekeeping, provision and publication of official information shall apply on official information stipulated by parts 1 and 2 of this Article.
4. While analyzing the information stipulated by Republic of Armenia’s Law “On Fight Against Money Laundering and Terrorism Financing”, if the Central Bank finds out that there has been a case or attempt of money laundering or terrorism financing, the Central Bank directly informs the respective agency conducting criminal investigation.

SECTION 7

FOREIGN FUNDS

CHAPTER 16

FOREIGN FUNDS

ARTICLE 98. SALE OF FOREIGN FUNDS SECURITIES IN THE REPUBLIC OF ARMENIA

1. To sell the foreign fund securities in the Republic of Armenia, the foreign fund or its manager shall acquire the Central Bank’s board preliminary authorization.
2. To acquire the preliminary authorization of the Central Bank the following shall be presented to the Central Bank pursuant to the format and procedure stipulated by central Bank regulations:
1) Application for granting preliminary authorization;
2) Statement provided by the respective authorized agency of the foreign country conducting supervision on the foreign manager and (or) fund, which states that the foreign fund and (or) foreign manager has permission to conduct the respective business and is conducting business in accordance to the legislation of that country;
3) Notarized Armenian translations of the manager’s and (or) funds registration

certificate, charter or other founding documents, license, rules of contractual fund, pursuant to the legislation of the registration country of the foreign manager or fund;
4) Business plan of the fund or manager;
5) Prospectus (excluding securities of open-ended funds or qualified investors funds);
6) Last annual and semi-annual reports (if the semi-annual report has been drafted after the last annual report), approved by the external auditor;
7) Detailed description of procedure of sale and repurchase (redemption) of shares or stocks in the Republic of Armenia, including the terms and conditions of payments in connection with sale and repurchase (redemption) of shares or stocks;
8) Information on the agent through whom sale and repurchase (redemption) of securities will be made and agreement signed with the agent;
9) Payment slip of the state duty;
10) Other documents stipulated by Central Bank regulations.
3. The terms and conditions of granting the permission envisaged by part 1 of this Article shall be stipulated by Central Bank regulations.
4. Sale of securities of foreign funds shall be made through an agent registered in the Republic of Armenia (except in cases envisaged by part 5 of this Article) in compliance with the requirements of this Law, other laws and regulations. Additional requirements may be presented to such agent by Central Bank regulations.
5. Securities of a foreign fund may be also sold by the branch (established in the territory of the Republic of Armenia) of the manager of the fund that is either a manager operating in the territory of the Republic of Armenia or a foreign manager, in which case to acquire the preliminary permission of the Central Bank envisaged by part 1 of this Article, those documents stipulated by part 2 of this Article that concern the manager (if in respective information with the Central Bank no changes have been made) and the agent may not be submitted to the Central Bank.

SECTION 8.

CHAPTER 17.

REORGANIZATION AND TERMINATION (LIQUIDATION) OF FUNDS

ARTICLE 99. REORGANIZATION AND CHANGING OF TYPE OF A CORPORATE FUND

1. The change of type and reorganization of a corporate fund takes place based on the decision of the fund’s meeting (for funds that are funds founded on trust, based on the decision of the manager’s board).
2. Standard (specialized) corporate fund can be transformed into a specialized (standard) corporate fund, or standard (specialized) fund type may be changed to another type of a standard (specialized) type, as well as open-ended, time-framed, or close-ended fund may be transformed into a close-ended, open-ended or time-framed corporate fund (change of type of fund).

3. The change of type of fund is done through amendment of the charter of the fund according to the procedure stipulated by this Law.
4. If the standard fund is transformed into a specialized fund, or open-ended fund is transformed into a close-ended fund, the amendments of the fund charter enter into force not earlier than three months after the publication of the amendments.
5. The limitations envisaged by part 4 of this Article do not apply on qualified investors" funds. In case the open-ended qualified investors fund is transformed into a close-ended fund, the amendments of the fund's charter enter into force not later than one month after the fund's meeting (for funds that are funds founded on trust, the decision of the manager's board) adopts a decision.
6. The corporate fund may be reorganized exclusively by merging with another fund being managed by its manager, in case envisaged by part 7 of this Article by merging with corporate funds managed by other managers, as well as in case the fund is founded based on trust by reorganizing into a joint stock company fund.
7. In cases stipulated by this Law, the fund left without a manager may merge with a fund being managed by another manager, in which case the rules of this Law concerning the signing of fund management agreement with new manager shall be upheld.
8. Open-ended or time-framed funds may not merge with the close-ended fund. Open-ended fund may not merge with time-framed fund. Standard fund may not merge with specialized fund. Voluntary pension fund may merge only with voluntary pension fund.
9. The reorganization of a corporate fund by the means of merging with another corporate fund is done by recording in the fund registration log of the Central Bank about the termination of the activity of the funds that are being merged, and by registering the amendments to the charter of that fund, into which the others have merged, according to the procedure stipulated by Republic of Armenia's Civil Code, this Law, the Republic of Armenia's Law "On Joint Stock Companies" and Central Bank regulations.
10. To merge with a corporate fund the preliminary consent of the Central Bank granted in accordance with Central Bank regulations is needed. The consent of the Central Bank is not needed in the case of merger of a qualified investors" fund.
11. The amendments to the fund's charter in connection with the corporate fund's change of type and reorganization shall be published in accordance with central bank regulations. The requirement stipulated in this part shall not apply to qualified investors" funds.
12. The expenses associated with the change of type of a corporate fund or the fund's reorganization shall be made on the account of the manager.

ARTICLE 100. MERGING AND CHANGING OF TYPE OF A CONTRACTUAL FUND

1. The change of type and merging of a contractual fund takes place based on the decision of the fund's manager's board with the consent of the fund's meeting (in case it exists).
2. Standard (specialized) contractual fund can be transformed into a specialized (standard) contractual fund, or standard (specialized) fund type may be changed to another type of a standard (specialized) type, as well as open-ended, time-framed, or

close-ended fund may be transformed into a close-ended, open-ended or time-framed corporate fund (change of type of fund).
3. The change of type of fund is done through amendment of the rules of the fund according to the procedure stipulated by this Law.
4. If the standard fund is transformed into a specialized fund, or open-ended fund is transformed into a close-ended fund, the amendments of the fund's rules enter into force not earlier than three months after the publication of the amendments.
5. The limitations envisaged by part 4 of this Article do not apply on qualified investors" funds. In case the open-ended qualified investors fund is transformed into a close-ended fund, the amendments of the fund's rules enter into force not later than one month after the fund's board adopts a decision.
6. Fund's merger (by way of two or more funds merging to create a new fund), division and separation are prohibited.
7. The merger of a fund by means of merging with another fund is done by revoking the registration of the fund's (funds") rules that are being merged according to this Law and Central Bank regulations and by registering the amendments of the fund's rules into which the other funds have been merged.
8. To merge with a fund the preliminary consent of the Central Bank board granted in accordance with Central Bank regulations is needed. The consent of the Central Bank is not needed in the case of merger of a qualified investors" fund.
9. The contractual fund may merge only with another contractual fund being managed by its manager. In cases stipulated by this Law, the fund left without a manager may merge with a fund being managed by another manager, in which case the rules of this Law concerning the signing of fund management agreement with new manager shall be upheld. Open-ended or time-framed funds may not merge with the close-ended fund. Open-ended fund may not merge with time-framed fund. Standard fund may not merge with specialized fund. Voluntary pension fund may merge only with voluntary pension fund. Mandatory pension fund may merge only with the same type of mandatory pension fund envisaged by part 1 of Article 42 of Republic of Armenia's Law "On Funded Pensions".
10. In the case of a merger, the fund's assets and liabilities shall pursuant to the transfer statement be transferred to the fund, into which the other(s) is being merged.
11. The amendments to the fund's rules in connection with the fund's change of type and merger shall be published in accordance with Central Bank regulations. The requirement stipulated in this part shall not apply to qualified investors" funds.
12. The expenses associated with the change of type or merger of the fund shall be made on the account of the manager.

CHAPTER 18. TERMINATION

(LIQUIDATION) OF FUNDS

ARTICLE 101. LIQUIDATION OF A CORPORATE FUND

1. In addition to the basis stipulated by the Republic of Armenia's Civil Code and Republic of Armenia's Law "On Joint Stock Companies", the fund shall be liquidated if:
1) The activity period of the fund stipulated by the fund charter is terminated;
2) Within 6 months after the funds registration, the fund has not acquired the minimum level stipulated by this Law of net assets;
3) The net asset value of the fund has decreased below the level envisaged by this Law for a period more than six months;
4) The net asset value of the fund has decreased below ½ of the minimum level envisaged by this Law;
5) The contract for fund custody and (or) management have been terminated according to the requirements of this Law, and within 2 months from that moment a new custodian and (or) manager has not been appointed, or the fund has not been merged with a fund being managed by another manager pursuant to the procedure stipulated by this Law;
6) In other case stipulated by law and fund charter.
2. In case the fund's meeting (manager's board for funds founded on trust) does not adopt a decision to liquidate the fund, when the basis envisaged by parts 2-5 of part 1 of this Article arise, the Central Bank is obliged based on the intermediation of the custodian or by its own initiation to apply to the court with the request of liquidating the fund.
3. In cases stipulated by part 1 of this Article, based on the decision of fund's meeting (manager's board for funds founded on trust) the fund may be liquidated based on the preliminary consent of the Central Bank Board, which is granted pursuant to Central Bank regulations, in case the fund's liquidation does not endanger the rights and legitimate interests of fund's shareholders. The consent envisaged in this part shall not apply to qualified investors" funds. The fund founded on trust may be liquidated by the decision of the fund manager's board, by announcing about it not less than six months in advance.
4. The Chairman and members of the Liquidation Commission appointed by the fund's meeting (manager's board for funds founded on trust) could only be the entities that have the professional qualification set forth by this Law. The Central Bank shall supervise the fund's liquidation process, and the Liquidation Commission shall report about its activity to the Central Bank.
5. After the Liquidation Commission fully distributes the fund's assets, the Liquidation Commission shall develop the liquidation balance sheet and submit it to the Central Bank, within 3 days of its approval by the General Meeting of Shareholders of the fund (manager's board for funds founded on trust) subject to liquidation.
6. Within 10 days from the moment the documents envisaged by part 5 of this Article are submitted, the Central Bank shall issue a resolution on approval or rejection of the liquidation balance sheet, specifying bases for rejection. The Central Bank shall reject approval of the liquidation balance sheet in case, when the Liquidation Commission violates the provisions of this Law or Central Bank regulations.
7. If the Central Bank does not approve the liquidation balance sheet, within 10 days the Liquidation Commission shall eliminate the reasons underlying the rejection by the Central Bank and, after approval of the new liquidation balance sheet by the General Meeting of Shareholders of the fund (manager's board for funds founded on trust) subject to liquidation, submit a new application for approval to the Central Bank. The

Central Bank shall consider that application in procedures defined in part 6 of this Article.
8. Within 3 days of the issuance of the resolution on approval of the liquidation balance sheet, the Central Bank shall make a record in the funds‟ registration log on taking the fund to be liquidated out of the list.
9. The fund shall be considered liquidated and its activities shall be considered terminated from the moment the Central Bank makes a respective registration about the fund's liquidation. Within 5 working days, the Central Bank shall notify about the registration of fund's liquidation to the agency implementing state registration of legal entities, so that the later may record the liquidation of the fund.
10. Within three days from the moment the Central Bank approves the liquidation balance sheet, the Liquidation Commission shall publish information about the fund's liquidation pursuant to the form and rules stipulated by central Bank regulations, after which the Liquidation Commission shall be considered free of all obligations in connection with the fund's liquidation.
11. In case the voluntary pension fund is being liquidated, the fund's shareholder has the right to request from the custodian of the particular fund, to acquire other (shareholder's choice) voluntary pension fund shares (stocks), using the assets to be handed over to that shareholder. The custodian is obliged to notify all the shareholders of the fund being liquidated about their right envisaged by this part, and the consequences of exercising their right. In case within 5 working days from the day the shareholder receives the notification stipulated in this part, the shareholder does not submit a respective request, the respective assets shall be paid to the shareholders who have not made their choice selection.

ARTICLE 102. LIQUIDATION OF A CONTRACTUAL FUND

1. The fund shall be liquidated if:
1) The activity period of the fund stipulated by the fund rules is terminated;
2) Within 6 months after the fund's rules‟ registration, the fund has not acquired the minimum level stipulated by this Law of net assets;
3) The net asset value of the fund has decreased below the minimum level envisaged by this Law for a period more than six months;
4) The net asset value of the fund has decreased below ½ of the minimum level envisaged by this Law;
5) The contract for fund custody and (or) management have been terminated according to the requirements of this Law, and within 2 months from that moment a new custodian and (or) manager has not been appointed, or the fund has not been merged with a fund being managed by another manager pursuant to the procedure stipulated by this Law;
6) In other case stipulated by law and fund rules.
2. The decision of terminating the fund shall be adopted by the manager, and if it does not exist, then the custodian. The decision shall have the consent of the fund meeting (in case it exists). In case a decision to liquidate the fund is not adopted when the basis envisaged by parts 2-5 of part 1 of this Article arise, or when the meeting of the fund does not give its consent, he Central Bank is obliged based on the intermediation of the custodian or by its own initiation to apply to the court with the request of terminating the

fund.
3. In cases stipulated by part 1 of this Article, based on the decision of fund's manager (custodian) the fund may be terminated based on the preliminary consent of the Central Bank Board, which is granted pursuant to Central Bank regulations, in case the fund's termination does not endanger the rights and legitimate interests of fund's shareholders. The consent envisaged in this part shall not apply to qualified investors" funds.
4. The termination of the fund shall be done by the manager, and if a manager does not exist, by the custodian, pursuant to this Law and Central Bank regulations. The Central Bank shall supervise the fund's termination process, and the manager (custodian) shall report about its activity to the Central Bank.
5. The manager or the custodian shall publish in a newspaper that has at least 3000 copies of circulation within the territory of the Republic of Armenia an announcement about the termination of the fund, about the period (which cannot be less than 2 months) during which claims can be brought by the creditors and the procedure of bringing those claims, as well as the interim termination balance sheet, which has to be drafted by the manager (custodian) after the deadline of submitting claims by the creditors.
6. During the termination of the fund, the manager (custodian) may undertake such operations and sign such transactions that are directed towards satisfying the obligations undertaken by the fund, sale of resources and distribution of fund's assets
7. After satisfying the claims of fund's creditors, as well as when at the moment the interim termination balance sheet is being approved the fund does not have obligations towards creditors, the assets of the fund shall be distributed among the fund shareholders proportionate to their share in the fund. Payments to the shareholders of the fund towards their shares shall be made only by monetary means.
8. After the manager (custodian) fully distributes the fund's assets, the manager (custodian) shall develop the termination balance sheet, which in case a meeting of fund exists shall be approved by the later and together with documents stipulated by Central Bank regulations submitted it to the Central Bank, to register the termination of the fund.
9. Within 10 days from the moment the documents envisaged by part 8 of this Article are submitted, the Central Bank shall issue a resolution on approval or rejection of the termination balance sheet, specifying bases for rejection. The Central Bank shall reject approval of the termination balance sheet in case, when the manager (custodian) has violated the provisions of this Law or Central Bank regulations.
10. If the Central Bank does not approve the termination balance sheet, within 10 days the manager (custodian) shall eliminate the reasons underlying the rejection by the Central Bank and, after approval of the new termination balance sheet by the meeting of the fund being terminated (in case it exists), submit a new application for approval to the Central Bank. The Central Bank shall consider that application in procedures defined in part 9 of this Article.
11. Within 3 days of the issuance of the resolution on approval of the termination balance sheet, the Central Bank shall make a record in the contractual funds' rules registration log on taking the contractual fund's rules off the list.
12. The fund shall be considered terminated from the moment the Central Bank makes a respective registration about the fund's termination. Within 5 working days, the Central

Bank shall notify about the fund's termination to the agency implementing state registration of legal entities, so that the later may record the termination of the fund.
13. Within three days from the moment the Central Bank approves the termination balance sheet, the manager (custodian) shall publish information about the fund's termination pursuant to the form and rules stipulated by Central Bank regulations, after which the manager (custodian) shall be considered free of all obligations in connection with the fund's liquidation.
14. In case the mandatory pension fund is being terminated, the assets of the fund shareholder are not subject to be paid back to the later, but on the account of those, the registrar of the fund's shareholder shall purchase shares of another mandatory pension fund, which shall be chosen according to this part, within five working days from the day of such selection. In case the fund shareholder who has been dully and in writing been informed about the need to make a selection, does not make the respective selection of the fund envisaged by this part within five working days from the day of being informed, the selection of such fund shall be made by the registrar of the fund's shareholders, within five working days, through the principal of probability, using the computer module stipulated by Republic of Armenia's Law "On Funded Pensions".
15. In case the voluntary pension fund is terminated, the fund's assets shall be distributed among the fund shareholders, pursuant to part 11 of Article 101 of this Law.

SECTION 9. SUPERVISION AND

SANCTIONS CHAPTER 19.

SUPERVISION AND LIABILITY FOR VIOLATION OF THIS LAW

ARTICLE 103. GENERAL PRINCIPLES OF SUPERVISION

1.The supervision over enforcement of requirements set forth by this Law, as well as other laws and regulations adopted on the basis of those laws to regulate the establishment and (or) activities of funds and (or) fund managers shall be performed by the Central Bank.
2.The Central Bank shall, within the scope of its authorities, shall regulate and supervise corporate funds, including non-public funds, managers and custodians (hereafter supervised entities), as well as their directors and persons acting within their staff or on their behalf subject to qualification according to this Law.
3. The Central Bank shall carry its authority of supervision stipulated by part 1 of this Article through on-site and off-site supervision.
4. The Central Bank shall perform on-site and off-site supervision pursuant to the provisions of this Law, the Law of the Republic of Armenia on Central Bank of Armenia and regulations of the Central Bank.
5. The Central Bank may provide information, which has become known to it as a result

of its supervision, to the state body with an exclusive right for exercising supervision over funds of a foreign country, provided that the information is necessary for exercising supervision over a subsidiary located in the given country, of a supervised entity operating in the Republic of Armenia (including a subsidiary acting as an agent) or for approving the establishment of a branch office or for supervising a subsidiary established in that country (including a subsidiary acting as an agent) or a branch office, according to the procedures established by the international agreements signed between the Central Bank and the state body with an exclusive right to exercise supervision over funds of the given country.

ARTICLE 104. OFF-SITE SUPERVISION OF THE CENTRAL BANK

1. The Central Bank shall perform off-site supervision by inspecting the reports, references, explanatory notes and other such documents and information submitted to the Central Bank by persons envisaged by part 2 of Article 103 of this Law.
2. The Central Bank regulations shall stipulate the submission procedures and timeframes of documents and information envisaged by part 1 of this Article.

ARTICLE 105. CENTRAL BANK INSPECTIONS

1.The Central Bank shall conduct inspections according to its developed inspection plan (planned inspections) or on need-driven basis in conformity with the procedure and periodicity defined by Central Bank regulations.
2. The inspections at the supervised entities shall be carried out according to the procedures stipulated by the Republic of Armenia's Law "On the Central Bank of the republic of Armenia".

ARTICLE 106. THE TYPES OF SANCTIONS AND THE PROCEDURE OF IMPOSING THOSE

1. In cases of violation of requirements set forth by this Law, as well as other laws and regulations adopted on the basis of those laws to regulate the establishment and (or) activities of funds and (or) fund managers, the Central Bank shall be entitled to apply the following sanctions towards persons mentioned in part 2 of Article 103 of this Law (in case of applicability):
1) Warning to eliminate the violation and (or) instruction to prevent such violations in the future and (or) instruction to take measures to prevent the occurrence of that violation in the future (hereinafter warning),
2) Fine,
3) Deprivation of the professional qualification,
4) Revocation of license.
2. For each violation only one type of sanction may be imposed, except when a warning is issued with a fine.
3. The imposition of the sanctions specified in this Article does not exclude the ability of imposing criminal, administrative, civil or other sanctions through other procedures.
4.The sanctions shall be imposed in compliance with the provisions of the Republic of

Armenia's Law "On the Central Bank of Armenia of the Republic of Armenia".

ARTICLE 107. WARNING

1. In cases of violation of requirements set forth by this Law, as well as other laws and regulations adopted on the basis of those laws to regulate the establishment and (or) activities of funds and (or) fund managers, the Chairman of the Central Bank by its decision is entitled to issue a warning to the person who has made the violation.
2. Through the warning the violation is noted and the person who has made the violations is notified about the impermissibility of the violation.
3. A warning shall also imply an instruction to eliminate the violation within the terms set forth by the Central Bank and/or an instruction not to repeat the violation in the future and/or an instruction on taking measures aimed at further prevention of the violation. An instruction to eliminate, or not to repeat, or take measures aimed at preventing, such violations may also envisage termination and/or alteration of the conditions of certain transactions and/or operations of the supervised entity. The fulfillment of the instruction shall be mandatory for the supervised entity that has received a warning.

ARTICLE 108. THE FINE

1. In cases of violation of requirements set forth by this Law, as well as other laws and regulations adopted on the basis of those laws to regulate the establishment and (or) activities of funds and (or) fund managers, if after exercising supervisory measures (meeting, correspondence, explanatory measures) for the regulation of the situation of the supervised entity, and (or) after imposing a warning those violation have not been remedied and (or) the reasons for those violations cannot be remedied, the Chairman of the Central Bank, by his decision shall be entitled to impose a fine towards the violating entity.
2. The provisions on maximum fines stipulated for legal and natural persons by the Republic of Armenia's Law "On Securities Market" shall apply to the maximum amount of fines envisaged by part 1 of this Article, in case greater amounts of fines are not stipulated by other laws for certain violation.
3.When determining the size of the fine the Central Bank shall take into consideration:
1) The nature of the violation (deliberate violation, or indifference or carelessness),
2) Existence of damage, caused to other persons by the violation and its size,
3) The extent of the unjustified enrichment, taking into account the compensations given to other persons,
4) The circumstance whether such person has previously permitted or has been liable to such or other violation, and the size and nature of the previous violation,
5) Other circumstances that are considered vital by the Central Bank.
4. The size of fine shall not lead to a severe financial standing of the supervised entity, which shall be determined by criteria stipulated by Central Bank Board.
5. In cases of non-payment, such fines shall be levied by court procedure, based on the claim of the Central Bank. Meanwhile, fines levied upon directors of the supervised entities and persons acting within their staff or on their behalf subject to qualification according to this Law shall be withdrawn from their personal resources.

6. The fines defined under this Article shall be allotted to the State budget.

ARTICLE 109. DEPRIVATION OF THE PROFESSIONAL QUALIFICATION

1. The director of the supervised entities and persons acting within their staff or on their behalf subject to qualification according to this Law may be deprived of a qualification certificate upon the decision of the Central Bank Board, if he:
1) Has deliberately violated the laws or other regulations;
2) Has committed an action or permitted an omission as a result of which the supervised entity has incurred or may incur considerable financial or other loss;
3) While serving in his position has indulged in activities that are unreasonable or dangerous or has been unfair and not careful in respect of his official obligations, including those obligations that are towards the supervised entity and its clients.
4) Has impeded the actions of the Central Bank or its employees in regard to conducting supervision, or has not fulfilled or has unsatisfactory fulfilled the instruction (instructions) of the Central Bank issued by a warning
5) To obtain professional qualifications has submitted false and (or) misleading documents and (or) information.

ARTICLE 110. REVOCATION OF LICENSE

1. The license (permission) of the manager shall be revoked by the decision of the Central Bank Board in cases envisaged by this Law.
2. Until imposing the sanction envisaged in part 1 of this Article, the Central Bank may stipulate a certain timeframe for the manager, during which the manager shall correct the violations that serve as a basis to revoke the license.
3. The basis and procedure for revoking the custodian’s license are stipulated by the Republic of Armenia’s Law “On Banks and banking Activity”.

SECTION 10

OTHER PROVISIONS

Article 111. NOTIFICATIONS ABOUT SHORTCOMINGS OF DOCUMENTS SUBMITTED TO THE CENTRAL BANK AND PROVISION OF INFORMATION ABOUT MADE AMENDMENTS

1. In case all documents required by this law and (or) Central Bank regulations have not been submitted attached to the application envisaged by this Law an (or) those documents include shortcomings, the Central Bank is obliged to inform the applicant within five working days about the missing documents or the shortcomings. The person who has been notified according to this part shall submit to the Central Bank required documents and (or) correct the shortcomings within ten working days. In this case the applications shall be deemed submitted on the day all proper documents have been

filed with the Central Bank.
2. In case during the examination of the application envisaged by this Law and submitted to the Central Bank, changes have been made or occurred in the information contained in those documents, the applicant is obliged within a reasonable time period, but not later than the adoption of a decision by the Central Bank on approving or rejecting the application, inform the Central Bank, and if necessary submit documents verifying the changed information. In this case the application shall be deemed submitted on the day the changed information and documents have been filed with the Central Bank.

ARTICLE 122. SUSPENSION OF PERIODS DEFINED BY THIS LAW

1. All periods stipulated by this Law for registration, licensing, preliminary consent or adoption of decision on any other issue on the basis of this Law may be suspended by the Central Bank for the purpose of clarifying certain issues required by the Central Bank but for a period of no longer than 6 months.
2. Where the Central Bank within the stipulated timeframe fails to reject the application concerning registration, licensing, preliminary consent or any other decision and fails to adopt a decision to suspend the stipulated time period in the manner stipulated by part 1 of this Article, it shall be deemed that the Central Bank has adopted a positive decision, and the Central Bank is obliged to implement those functions, which according to this Law should have been implemented, as if the respective positive decision has been adopted in the stipulated timeframe. Meanwhile, the start of the period during which the functions should be implemented, is the last day of time period stipulated for the Central Bank to adopt the respective decision.

ARTICLE 113. DECISIONS ADOPTED BY THE CENTRAL BANK AND THEIR TRANSMITTAL

1. Central Bank decisions taken based on this law on registration, licensing, and preliminary consent or on any other issue shall be well argued and not ambiguous.
2. Central Bank decisions taken based on this law on registration, licensing, and preliminary consent or on any other issue shall be sent to the applicant within three working days from the day the decision is adopted.

SECTION 11

CONCLUDING PART AND TRANSITIONAL PROVISIONS

ARTICLE 114. CONCLUDING PART

1. This law shall come into force the tenth day following the day of its official publication.

ARTICLE 115. TRANSITIONAL PROVISIONS

1. The provisions stipulated by part 2 of Article 86 of this Law for mandatory pension fund custodians shall enter into force from the period envisaged by republic of Armenia's Law "On Funded Pensions"
2. The application envisaged by this Law for the fund's (fund rules') registration and manager's registration and licensing, may be submitted to the Central Bank only from the moment the regulation stipulating the rules of respective registration (registration and licensing) enter into force.

President of the Republic of Armenia S. Sargsyan

2010 December 30
Yerevan
HO-245-N