

THE REPUBLIC OF ARMENIA

LAW

ON BANKS AND BANKING

Approved June 30, 1996

CHAPTER I

GENERAL PROVISIONS**Article 1. Subject of Law**

This Law determines the procedure and conditions for registration, licensing, regulation and termination of activities of the banks in the Republic of Armenia, branches and representative offices of Armenian and foreign banks, as well as terms and conditions of banking supervision.

(Article 1 amended AL-253, 23.10.01)

Article 2. Banking System of the Republic of Armenia and Legal Regulation of Banking Activity

1. Banking system of the Republic of Armenia includes the Central Bank of the Republic of Armenia (hereinafter – the Central Bank), banks operating in the Republic of Armenia (including subsidiaries), branches thereof, representative offices, operational offices (terminals), as well as branches and representative offices of foreign banks operating in the Republic of Armenia.

2. Activities of banks operating in the Republic of Armenia shall be stipulated by this law, laws of the Republic of Armenia on “The Central Bank of the Republic of Armenia”, “Bankruptcy of Banks, Credit Organizations, investment companies, investment fund managers and Insurance Companies”, “Banking Secrecy”, other laws, and, in cases provided by the legislation, normative acts of the Central Bank.

3. Peculiarities of activities of the All-Armenian Bank shall be defined by the Republic of Armenia law “On All-Armenian Bank”.

(Article 2 amended AL-254, 06.11.01; AL-227-N, 15.11.05; AL-184-N, 09.04.07, AL-199-N, 26.12.08, AL-34-N, 26.12.08, amended AL-255-N)

Article 3. Objective of the Law

The objective of this Law is to ensure development, reliability and sustainability of the banking system and to establish equal grounds for free competition of banks.

Article 4. A Bank and Banking

1. Bank is a legal entity, authorized to perform banking activities under license issued according to this Law.

2. Banking activity acceptance of deposits or offering to accept deposits, placement of those deposits through loans, deposits and/or investments made on behalf and at the option of the accepting party.

3. Banks may not carry out any banking activities in the Republic of Armenia without a license issued by the Central Bank (hereinafter – license).

Article 5. Bank Deposit

Bank deposit is a cash amount, provided to a bank in accordance with the terms and conditions of a bank deposit agreement established by the Civil Code of the Republic of Armenia, whereas the depositor did not commit to undertake any risks ensuing from its further use, neither provided it as a reimbursement against acquisition or lease of an asset or property rights thereof, compensation for provided works and services, or for guarantee of a liability.

(Article 5 amended AL-253, 23.10.01)

Article 6. Use of the Word “Bank”

1. Any entity, its branch and/or representative office that does not have the banking license may not use the word “bank” or the derivatives thereof, in their name, unless such use has been stipulated by law or international agreement and it is obvious that the use of the word “bank” does not refer to any banking activity.

2. Banks may not use such words in their name that could be misleading in terms of the bank’s financial capacity or legal status.

3. It shall be also prohibited for an entity that does not have a banking license to use the word “bank” or the derivatives thereof, for the purpose of promos, public offers or any other similar types of advertisement when such usage implies execution of banking activity.

(Article 6 amended AL-253, 23.10.01)

Article 7. Bank Unions and Associations

With the view to coordinate activities, presentation and protection of interests, exchange of information and joint solution of other banking problems the banks may establish and acquire membership in non-profit banking unions and associations. Banking unions and associations cannot implement banking activities. The banking unions and associations shall notify the Central Bank about their establishment within ten days after official registration by the authorized state body.

Article 8. Affiliated Entities

1. For the purpose of this Law and other laws governing banking activity, legal entities shall be deemed affiliated if:

- a. a legal entity with the right to vote holds 20% and more of voting shares (equity, stock, hereinafter – shares) of another entity, or through share or agreement signed between these entities is capable of predetermining the decisions of the other entity;
- b. shareholder (shareholder) or shareholders (shareholders) that have more than 20% of shares with voting rights in one of the entities or may otherwise predetermine it’s decisions in a lawful manner, or their family members that have the right to directly or indirectly manage (including but not limited to: selling and buying capacity, licensed management, agreement of joint activities, orders or any other transaction) more than 20% of shares with voting rights or have the capacity to otherwise predetermine decisions of the other entity in a lawful manner;

- c. one third of parties in the managing body of a legal entity or other parties implementing similar functions or their family members are at the same time in the managing body or implement similar functions in the other body.
 - d. they have been acting in agreement based on mutual economic interests, or they have been adjudged as such by the reasonable opinion of the Central Bank.
2. For the purpose of this Law and other laws governing banking activity, physical persons shall be considered affiliated if they are members of the same family, or have common household, or jointly run business activities, or if they have been acting in agreement based on mutual economic interests.
 3. For the purpose of this Law and other laws governing banking activity, legal entities and physical persons shall be deemed affiliated if they have been acting in agreement based on common economic interests, or they have been adjudged such by the reasonable opinion of the Central Bank, or if the physical person or a member of his (her) family is:
 - a. a shareholder that holds more than 20% of shares of a legal entity;
 - b. has the capacity to otherwise predetermine the decisions of the legal entity;
 - c. serves as chairman, deputy chairman, or member of the Board, chief executive officer or vice-director, chairman or member of the directorate, chief accountant or deputy chief accountant, chairman or member of the audit commission, chairman or member of the inspection commission, or member of other similar bodies;
 - d. an employee of a legal entity or its structural subsidiary (such as departments, divisions and units), which pursuant to its charter or other by-laws approved by the Board of the Central Bank, or from reasonable point of view of the Central Bank Board, is directly involved in the main activities of a legal entity, or works under immediate supervision of its chief executive officer, or has major influence on decisions of management bodies of the legal entity.
 4. For the purpose of this Law and other laws governing banking activity, members of the same family are the father, the mother, the spouse, parents-in-law, the grandmother, the grandfather, sister(s), brother(s), children, brother's and sister's spouses and children.
(Article 8 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 9. Qualified Holding

1. For the purpose of this Law and other laws governing banking activity, a qualified holding in the statutory fund of a legal entity can be direct or indirect.
2. For the purpose of this Law and other laws governing banking activity, a qualified holding in the statutory fund of a legal entity is deemed directly qualified if a shareholder holds over 10% of the voting shares of the legal entity.
3. For the purpose of this Law and other laws governing bank activity, holding in the statutory fund of a legal entity is deemed indirectly qualified if:
 - a. a shareholder does not have holding (shares, equity, stake) in the statutory fund of a legal entity, or holds up to 10% of voting shares of the legal entity or holds no-voting shares, however, according to the criteria set by the Board of the Central Bank, due to the holding and, by virtue of its business image or reputation, it has the capacity to directly or indirectly predetermine decisions of the managing bodies of the legal entity, seriously influence decisions or their implementation, or predetermine the major directions and/or fields of operation of the legal entity;
 - b. a shareholder does not have holding (shares, equity, stake) in the statutory fund of a legal entity, or holds less than 10% of the voting shares of a legal entity or holds shares with no voting rights, but has the capacity to predetermine the decisions of the managing bodies of the legal entity, or seriously influence decisions and their

- implementation, predetermine major directions, fields of operation of the legal entity through the power of right of claim on the bank;
- c. a shareholder holds more than 50% of the voting shares of the statutory fund of the legal entity, thus having a qualified holding in statutory capital;
 - d. the shareholder has/does not have a holding in the statutory fund of the legal entity, however, according to the criteria set by the Board of the Central Bank and by virtue of the business image or reputation, has the capacity to predetermine decisions of the managing bodies of the legal entity, seriously influence decisions or their implementation, or predetermine major directions, fields of operation of the legal entity.

(Article 9 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 10. Affiliated Bank

(Article 10 repealed AL-253, 23.10.01)

Article 11. Independence of Banks

1. Any influence on the bank management during the execution of the official duties, or interference with activities of the bank shall be prohibited unless otherwise provided by law.

In accordance with law, governors of a bank may be authorized to wear weapons.

2. The losses caused by the illegal influence on a bank manager or by illegal interference with regular activities of the bank shall be compensated as provided by the law and other regulations.

3. The Government and banks shall not be responsible for the counterpart liabilities unless the banks or the Government have undertaken such liabilities. The Central Bank and banks shall not be responsible for the counterpart liabilities.

4. Banks shall independently manage, use, handle and reevaluate their core assets.

(Article 11 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

CHAPTER 2

ORGANIZATIONAL-LEGAL TYPES OF BANKS, STRUCTURE AND MANAGEMENT

Article 12. Types of Banks According to their Organizational and Legal Status

1. As provided by this Law, banks shall be incorporated as joint stock companies, limited liability companies or cooperative banks.

2. Banks shall be regulated by legislation on joint stock companies and limited liability companies unless otherwise provided by this Law.

Bank shall be considered as cooperative if, regardless of their share in the statutory fund, its shareholders have a right for one vote each.

3. Cooperative bank shall have at least three shareholders. If the number of shareholders in a cooperative bank decreases to less than three, the bank shall be liquidated or, within six months, it shall supplement the number of shareholders.

(Paragraph 4 amended AL-227-N 15.11.05)

(Article 12 amended AL-227-N, 15.11.05)

Article 13. Shareholders

1. Shareholders of a bank are the founders, shareholders who are joint stock companies, and shareholders (shareholders, members) of banks which are limited liability companies or cooperative banks.

State and territorial government agencies of the Republic of Armenia shall be shareholders of the bank only in cases and in manner provided by law.

Political parties and trade unions cannot be shareholders of a bank.

4. Banks operating on the territory of the Republic of Armenia, are prohibited to independently maintain their register of participants. Banks operating on the territory of the Republic of Armenia, which are joint stock companies, must delegate maintaining of the register to the respective persons as defined under the Republic of Armenia law "On joint stock Companies". Banks operating on the territory of the Republic of Armenia, which are cooperative banks or limited liability companies, must delegate maintaining of the register to the Central Bank.

(Article 13 amended AL-227-N, 15.11.05, AL-106-S, 24.06.10)

Article 14. Branches

1. In accordance with this Law, banks operating in the Republic of Armenia may establish branches in the Republic of Armenia and abroad.

2. A branch of a bank is a separated department without the status of a legal entity which is located outside from the bank, which operates within the scope of authorities delegated thereto by the bank, and carries out banking activity and financial operations on behalf of the bank and/or in accordance with this Law.

3. Foreign banks may establish branches and representative offices in the Republic of Armenia as provided by this Law. Branch of foreign banks may carry out banking activity and financial operations if they have the banking license. The Board of the Central Bank may set additional conditions for acceptance of deposits by foreign bank branches in the Republic of Armenia without prejudice to any branch of a foreign bank operating in the Republic of Armenia.

Article 15. Representative Offices

1. In accordance with this Law, banks operating in the Republic of Armenia may establish representative offices in the Republic of Armenia and abroad.

2. Representative office is a separate department without the status of a legal entity, located outside of the bank, which may represent the bank, analyze financial market, sign contracts on behalf of the bank and perform other similar functions. Representative office is not permitted to perform banking and financial functions provided by this law.

Article 16. Functional Offices (Desks)

(Article 16 repealed AL-253, 23.10.01)

Article 17. Statutory Capital

1. The size of the statutory fund (statutory capital) of a bank shall be set by its charter. The paid up statutory fund shall be formed from investments of the bank shareholders. The paid up statutory fund shall be equal to:

- a. the amount paid by shareholders for buying shares of a bank, which is a limited liability company, or a cooperative bank;
 - b. proceeds on sale of all types of shares allocated by a bank, which is a joint stock company.
2. Statutory fund of banks shall be paid up in the currency of the Republic of Armenia.
(Article 17 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 18. Limitations on Acquisition of Qualified Holding in Statutory Fund

1. A person or its affiliates may acquire qualified holding in the statutory capital of a bank by the expressed consent of the Central Bank through one or a number of transactions.

To receive the Central Bank's expressed consent for acquisition of the qualified holding in the bank's statutory fund, a person, through intermediary of bank, shall guarantee to the Central Bank that his acquisition of a qualified holding will not lead to anyone else becoming an indirect qualified shareholder of the bank, otherwise the person shall also file documents prescribed by the Central Bank for persons acquiring indirect qualified holding.

To receive the Central Bank's expressed consent for acquisition of the qualified holding in bank's statutory fund, the person, through intermediary of bank, shall also file to the Central Bank sufficient and complete justifications of legality of the sources of funds to be invested (documents, data, etc.), as well as data on the legal entities, where the person acquiring qualified holding in the statutory fund of the bank is a qualified shareholder (including name, address, financial statements, information about managers and persons with qualified holding), in the form prescribed by the Central Bank.

The list, form of the documents, and terms and conditions for filing to the Central Bank all the documents defined in paragraphs 2 and 3 hereof, by a person or its affiliates with the view to receiving the expressed consent of the Central Bank for the acquisition of a qualified holding shall be established by the Central Bank.

The Central Bank shall review all the filed documents within one month after receiving them in manner prescribed hereof. The Board of the Central Bank may suspend the one-month period if there is a need for any clarifications. The consent shall be deemed honored, if the application is not rejected within one month or the person is not informed about suspension of the one-month period.

2. The Central Bank shall reject the application and advice the requesting person thereof within a ten-day period if the person:

- a. was convicted for a crime of forethought;
- b. is prohibited by court to be employed in financial, banking, tax, customs, commercial, economic, or legal areas;
- c. is bankrupt and have outstanding (not relieved) liabilities;
- d. his past activities resulted in bankruptcy of a bank or another person;
- e. the person or its affiliates have previously undertaken steps which under the guidelines set by the Central Bank and in the opinion of the Central Bank arise suspicion that his actions as a of decision maker in the managing bodies of the bank may result in bankruptcy or deterioration of financial status of the bank, or harm reputation or goodwill of the bank;
- f. the transaction is aimed, results or may result in limitation of free economic competition;
- g. the person and its affiliates acquiring qualified holding in the statutory fund of the bank may obtain a dominant position in the Republic of Armenia banking market through this transaction, and become capable of influencing on market rates or conditions for rendering services listed in Article 34 of this Law;

- h. documents filed to the Central Bank fail to comply with the norms and conditions established by the Central Bank, or contain wrong or inaccurate information;
- i. according to reasonable opinion of the Central Bank, performance of the person acquiring qualified holding in the statutory fund of the bank or his related person has deteriorated or can deteriorate, subsequently endangering performance of the bank, or the activities of the person acquiring qualified holding in the statutory fund and/or its affiliates; their relations with the bank may impede effectiveness of supervision performed by the Central Bank, or prevent identifying or effectively managing risks of the bank;
- j. the person fails to submit sufficient and complete justification on the legality of sources of funds he is investing (documents, data, etc.).

Acquisition of qualified holding in the bank's statutory capital without the expressed consent of the Central Bank shall be void.

4. Limitations established in this Article shall not preclude acquisition of shares in statutory fund of a bank that acts as an issuer, if the shares have been acquired in stock market in accordance with the republic of Armenia Law on "Stock Market Regulation", if the value of the acquired shares does not exceed 20% of the statutory fund, otherwise the Central Bank shall give an expressed consent in accordance with this Article.

2. Physical entities permanently residing or acting in the offshore zones, as well as legal entities or entities with no legal status determined or incorporated there and parties related thereof may acquire holding in the statutory capital of a bank (irrespective of its size) by one or several transactions in accordance with the procedure established in this Article with the expressed consent of the Central Bank. List of offshore zones shall be defined by the Central Bank Board.

Legal entities established by persons defined hereof, or their affiliates may acquire share in the statutory capital of a bank (regardless of the extent of the share) through the procedure defined in this Article solely, after obtaining the expressed consent of the Central Bank.

3. As determined herewith, the Central Bank's expressed consent is required for each new transaction or transactions, if the holding of a person or its affiliates in the statutory capital of bank result from a transaction or transactions exceeds 10%, 20%, 50% and 75%, correspondingly.

(Article 18 amended AL-253, 23.10.01; AL-46-N, 03.03.04; AL-227-N, 15.11.05)

Article 18¹. Acquisition of Other Holding in the Statutory Fund of a Bank

1. The person or its affiliates can acquire other holding (not qualified) in the statutory fund of a bank through one or several transactions exclusively by the expressed consent of the Central Bank. For the purpose of this Law, other holding (not qualified) in the statutory fund of a bank shall be deemed holding, which is acquired from a qualified holder by the person or its affiliates, due to which the qualified holder's holding deteriorates. The preliminary consent of the Central Bank shall be demanded while carrying out any transaction or transactions causing the deterioration of qualified holder's size of holding in the statutory fund of a bank by 75%, 50%, 25% or 10%, correspondingly. Acquisition of other holding in the bank's statutory capital without preliminary consent of the Central Bank shall be void and null.

The list, forms of the documents and all data, procedure and conditions of their filing to the Central Bank by the party or its affiliates through the request of a bank in order to receive the expressed consent specified hereinabove, shall be determined by the Central Bank.

The Central Bank shall review all the documents as determined herewith according to terms and conditions specified in Article 18 of this Law.

2. The Central Bank shall reject applications, advising thereof the applicant within ten days, based on grounds specified in paragraph 2 Article 18 hereof, as following:

- a. major prudential standards will be infringed;
- b. according to the guidelines established by the Central Bank, and in the opinion of the Board of the Central Bank, there are reasons to suspect that the transaction may cause deterioration of the bank performance, subsequently harming its reputation or goodwill.

3. Limitations provided hereof, shall not preclude acquisition of shares from a qualified shareholder which acts as an issuer, if the shares have been acquired in stock market in accordance with the republic of the Armenia Law on “Stock Market Regulation” and the acquisition thereof does not exceed the 20% of the statutory fund. In case if the volume of the acquired shares exceeds 20% of total equity, an expressed consent of the Central Bank shall be required in accordance with this Article.

(Article 18¹ amended AL-227-N, 15.11.05)

Article 19. Limitations on Acquisition of More Than Fifty Percent of the Statutory Fund of a Bank

(Article 19 repealed AL-253, 23.10.01)

Article 20. Charter

1. The Charter is the constituent document of a bank and its provisions shall be binding on the founders, shareholders and managing bodies of the bank.

2. The Charter defines:

- a. full and short brand name of the bank;
- b. address of the bank;
- c. organizational and legal structure of the bank;
- d. in case of a bank which is a joint stock company – types of shares subject to allocation (simple and preference), number, face value, as well as types of preference shares, and the rights of owners of each type of preference shares;
- e. the size of the statutory fund;
- f. structure, powers and decision-making procedure of the managing bodies;
- g. procedure for organization and convening of General Assembly, including the of those questions decisions on which shall be approved by simple majority of voices or unanimously by the managing bodies of the bank;
- h. information on the bank’s branches and representative offices as needed, as well as procedure for establishment and dissolution of the branches and representative offices;
- i. powers delegated to the bank by the founding bank (in case of a branch of a foreign bank);
- j. the rules of oversight over the bank by the founding bank (in case of a branch of a foreign bank);
- k. the procedure of carrying out control by the founding bank (in case of a branch of a foreign bank);
- l. bank’s liquidation procedure;
- m. other provisions provided by law and other legal acts.

The Charter may also limit the maximum share of holding by a single founder or shareholder in the bank’s statutory fund (in case of a bank in the form of a joint stock company – voting shares).

3. At the request of any person, the bank shall within a five-day period provide him the opportunity to read the Charter and additions and amendments thereto. The bank shall

provide that person with a copy of the bank's acting Charter upon his request. The cost charged by the bank for the provision of the copy shall not exceed cost of the copy.

4. Additions and amendments to the Charter as well as adoption of a new edition of a new Charter shall be approved by a 3/4 majority of votes of the General Assembly.

(Article 20 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 21. Governing Bodies of the Bank

1. The governing bodies of the bank are as follows:

- a. General Assembly of the shareholders of the bank (hereinafter – General Assembly);
- b. the Board of the bank (hereinafter - the Board);
- c. the chief executive officer of the bank or the chairman of directorate (hereinafter – Chief executive officer), and if the charter provides for – the Board of directors or the directorate (hereinafter – the Directorate).

2. Terms and conditions for formation and activities of the bank's governing bodies and the scope of their authorities shall be defined by the Republic of Armenia Law on "Joint Stock Companies" and the Charter, unless otherwise provided by this Law.

3. Irrespective of the organizational and legal structure, a bank shall have governing bodies, the chief accountant and the department of internal audit in accordance with paragraph 1 of this Article

(Article 21 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 21¹. General Assembly of the Bank's Shareholders. Competency of the General Assembly.

1. The General Assembly is the supreme body of the bank management.

2. Issues under sole competency of the General Assembly include:

- a. approval, of the Charter, as well as any introduction of amendments and addendum thereto;
- b. bank restructuring;
- c. bank liquidation;
- d. approval of consolidated, interim and liquidation balance sheets, appointment of the liquidation committee;
- e. approval of the number of members in the Board, election of the Board members and their premature suspension. Issues relating to approval of the number of members in the Board and their election shall be under the sole competence of the annual General Assembly. Issues relating to election of Board members can be reviewed at the extraordinary meeting of the General Assembly, if the General Assembly takes a decision on premature dissolution of the Board or premature suspension of Board members(s);
- f. decisions on establishment of ceiling for stated shares (equity, stock), and increase in the statutory fund of the bank;
- g. approval of the external auditor firm suggested by the Board;
- h. approval of the bank's annual financial reports and the decision on distribution of profit and loss. Adoption of a decision on payment of annual dividends and approval of their size;
- i. approval of policy on designation of General Assembly;
- j. formation of the returning Board;
- k. pooling and splitting of shares;
- l. establishment of subsidiaries or affiliated companies;
- m. equity interest in subsidiaries or affiliated companies;

- n. establishment of unions of commercial organizations;
- o. equity interest in the unions of commercial organizations;
- p. establishment of the size of remuneration of the Board members;
- q. adoption of decision on non-use of preemptive right on acquisition of shares, other matters within the approved agenda, in cases provided by law.

3. The exclusive rights of making decisions on issues indicated hereinabove, shall be under sole competency of the General Assembly and cannot be delegated to the Bank Board, or the chief executive officer, his (her) deputies and the chief accountant (hereinafter – members of the executive body) or any other person, except the issues indicated in clauses (l) to (p) of paragraph 2, hereof, and the decision on the increase of statutory fund, which can be delegated to the Board pursuant to the Charter or the decision of the General Assembly.

(Article 21¹ amended AL-227-N, 15.11.05)

Article 21². Arrangement of the General Assembly Activities

1. Decisions of the General Assembly can be also taken by correspondence (inquiry), except the issues defined in clauses (b), (c) and (h) of Article 21¹ paragraph 2, hereof. Annual meetings of the General Assembly cannot be held by correspondence (inquiry). The sessions of the General Assembly held by correspondence shall be convened according to procedure on the arrangement of the General Assembly meetings by correspondence established by the Charter. Furthermore, General Assembly can take decisions if its shareholders have the possibility of on-line communication by telephone, through TV bridge, or otherwise. Such sessions shall not be deemed sessions by correspondence.

2. The right to participate in the General Assembly shall have the parties as follows:
- a. holders of simple shares (equity, stock) with the right of voting according to the number of their votes, as well as holders of inscribed shares, if they show a certificate with the names of the bank shareholders they represent and a document verifying their shares (equity, stock);
 - b. shareholders of preferential shares with the right of voting according to the number and nominal value of preferential shares they hold, in cases determined by the law and the Charter, as well as the nominal holders, if they present a documents certifying the names of the shareholders they represent and the number of the shares owned by them;
 - c. members of the Board or executive body of the bank with advisory vote which are not shareholders of the bank;
 - d. members of the bank internal audit service - as observers;
 - e. external audit of the bank - as an observer (if the agenda of the convened General Assembly includes review of the external auditor report);
 - f. representatives of the Central Bank - as observers;
 - g. other parties envisaged by the Charter.

3. List of the bank shareholders with the right to participate in the General Assembly shall be prepared as of the year, month and the day set by the Board based on information on bank's shareholders available in the register.

The year, month and the day of preparing the list of shareholders with the right to participate in the General Assembly may not precede the day of taking the decision on convening the General Assembly, or be later than 45 days prior to the day of convening the General Assembly.

If the General Assembly is convened by correspondence, the year, month and the date of preparing the list of shareholders with the right to participate shall be at least 35 days before the day of convening the General Assembly.

The banks shall inform the Central Bank about convening the General Assembly not later than 15 days before the session.

4. For the purpose of preparing the list of bank shareholders with the right to participate in the General Assembly, the nominal holder of shares shall present data about those parties in the interests of which he disposes the shares.

5. List of the bank shareholders with the right to participate in the General Assembly shall include the name of each shareholder, location (address) and the share of his (her) holding in the statutory fund of the bank. In case of a joint stock company, data about the share of shareholder with the right to participate in the General Assembly in the statutory fund shall be presented per type and class of shares.

6. List of the bank shareholders with the right to participate in the General Assembly shall be available to the other shareholders of the bank which are registered in the register of the shareholders of the bank.

Upon request of the bank's shareholder, bank shall give him a reference on including his name in the list of the shareholders with the right to participate in the General Assembly.

7. Changes in the list of the bank's shareholders with the right to participate in the General Assembly can be made only with the purpose of correcting mistakes made in the list or restore the infringed rights and lawful interests of the bank's shareholder, which were not included in the list.

(Article 21² amended AL-227-N, 15.11.05)

Article 21³. Board of the Bank. Formation of the Board

1. The Board of the bank shall govern activities of the bank within the scope of authorities entrusted thereto by law. The Board shall consist of at least 5, but not more than 15 members. Members of the Board shall be elected at the annual General Assembly of the bank by the present shareholders. The pre-term termination of the authorities of a Board member shall be carried out at the special General Assembly by the present shareholders in accordance with the Law and the Charter.

A candidate for Board member can be nominated at the General Assembly by bank's shareholders, as well as the Board (unless the Board is newly formed).

2. The bank's shareholders, holding 10 and more percent of the voting shares (equity, stock) as of the day of preparing the list of shareholders with the right to participate in the General Assembly, shall have the right to be included in the Board without election or to appoint their proxy to the Board.

3. The bank's shareholders, holding less than 10 percent of the voting shares (equity, stock) as of the day of preparing the list of shareholders with the right to participate in the General Assembly, can merge and if after that their voting shares (equity, stock) become equal to 10 and more percent of the total voting shares, they can appoint their proxy to the Board without election.

Appointment of a proxy to the Board in manner defined hereinabove is possible only in case of the respective agreement on establishment of a group of shareholders is available and the General Assembly has been advised thereto.

The aforementioned agreement shall provide conditions and data as follows:

1. data about merged shareholders, including number of their voting shares (equity, stock);
2. information on the proposed proxy in accordance with part 5, Article 43, hereof.
3. a clause to the effect that the contract is concluded for at least one year and till the end of that period the contract may not be revised or repealed;
4. other provisions at discretion of the merged shareholders.

Copies of the contract shall be available for all the shareholders of General Assembly at least 30 days before the day of the General Assembly meeting, and at least 30 days before the last day of the period set by the bank for filing of the ballots, if the meeting is held by correspondence.

4. Shareholders with minor share in the statutory fund of the bank have the right to nominate to the Board proxies representing their interests.

For the purpose of this paragraph, a minor shareholder is the shareholder having less than 10 percent of the voting shares (equity, stock) who has not signed the agreement defined in paragraph 2 of this Article. The proxy of minor shareholders shall be nominated by them and appointed to the Board without election by the General Assembly.

Election of minor shareholders' proxy shall be carried out only by minor shareholders who are present at the session of General Assembly or by their proxies, even if there is only one shareholder present. The shareholders, who signed the agreement as specified in paragraph 3 of this Article, shall not participate in the election of the proxy of shareholders with minor share.

The procedure for the election of the proxy of the minor shareholders, his nomination and appointment to the Board is defined by the Charter. Information about the nominated proxy of the minor shareholders shall be delivered to all the shareholders of the General Assembly by the Board at least 30 days before the day of holding it and at least 30 days before the last day of the period set by the bank for filing of the voting papers if the meeting is held by correspondence.

(Article 21³ amended AL-227-N, 15.11.05)

Article 21⁴. Members of the Board.

1. Members of the Board shall not be affiliated. Members of the Board and members of the executive body shall not be affiliated.

2. Members of the Board shall be remunerated.

The General Assembly shall determine the term of the Board members, which shall not be less than one year.

(Article 21⁴ amended AL-227-N, 15.11.05)

Article 21⁵. Chairman of the Board

1. Chairman of the Board shall be elected by the Board from the Board members.

Chairman of the Board shall:

- a. organize works of the Board;
- b. convene the sessions of the Board and preside over them;
- c. organize taking minutes of the Board sessions;
- d. chair the General Assembly;
- e. organize work of the Board committees.

(Article 21⁵ amended AL-227-N, 15.11.05)

Article 21⁶. Powers of the Board.

1. Powers of the Board include:

- a. design core activities of the bank, including endorsement of the bank development strategy;
- b. convene annual and extraordinary sessions of the General Assembly, approve the agenda, ensure arrangement and agenda of the meetings;
- c. appoint members of the executive body, prematurely suspend their membership and approve terms and conditions of their remuneration;

- d. establish standards of internal control, establish the internal audit unit, approve its annual business plan, prematurely suspend internal auditors and approve terms and conditions of their remuneration;
- e. endorse annual budget and performance report;
- f. endorse administrative and organizational structure of the bank and list of staff;
- g. increase statutory fund of the bank, if the Board is authorized thereto by the Charter or decision of the General Assembly;
- h. suggest to the General Assembly on payment of dividends, filing for each dividend payment list of the shareholders which are included in the bank register as of the day of preparing the list of the shareholders authorized to participate in the annual General Assembly;
- i. give preliminary no-objection to the annual financial report and submit it to the General Assembly;
- j. introduce the external auditor for the approval of the General Assembly;
- k. establish the amount of compensation for the external auditor;
- l. suggest and monitor implementation of measures for the remedy of failures identified during on-site and off-site audits;
- m. endorse internal regulations for financial operations in accordance with this Law;
- n. approve by-laws of territorial and structural units of the bank; distribute working responsibilities between the structural units;
- o. introduce to the General Assembly issues defined in Article 20¹. 2 (b), (l-p) of this Law;
- p. authorize allocation of bills and other securities of the bank;
- q. dispose reserve funds and other provisioning of the bank;
- r. establish branches, representative offices and separate units;
- s. define accounting policy, including principles, grounds, modes, rules, forms and procedures of bookkeeping and financial reporting;
- t. take decisions on any other issues established by law.

2. Decisions on the issues listed above shall be under the sole competence of the Board and cannot be delegated to any other person inside or outside the bank, unless otherwise provided in part 2 of this Article.

The right to approve the list of staff defined in paragraph 1 clause (f) hereof, may be delegated to the chief executive officer (director) of the bank subject to the Charter or decision of the General Assembly.

3. The Board shall review at its sessions the auditor's report (letter to management) not less than once in a year, and review main areas of activities, strategy, regulations and other by-laws as needed.

The Board shall review at its session reports of the internal audit unit, chief executive officer (director) and chief accountant not less than once in a quarter, according to terms and conditions established by the bank.

(Article 21⁶ amended AL-227-N, 15.11.05)

Article 21⁷. Meetings of the Board

1. Meetings of the Board shall be convened at least once in two months. The procedure of convening and holding the meetings shall be established by the Charter.

Chairman of the Board shall convene the meetings of the Board pursuant to its independent decision, a request provided in writing by a member of the Board, the chief executive officer, head of the internal audit unit, the external auditor, the Central Bank Board, or a bank shareholder (shareholders) holding 5 or more percent of voting shares (equity, stock) of the bank.

2. Meetings of the Board may be convened by correspondence, according to the respective procedure established by the Charter. Furthermore, the Board can take decisions if its members have the possibility of on-line communication by telephone, through TV bridge, or otherwise. Such meetings shall not be deemed meetings by correspondence. The Board meetings held by correspondence may not decide on issues defined in Article 20⁶ 1(c), (d), (j) and (n), endorsement of the development strategy annual program and election of the Chairman of the Board.

3. Quorum of the Board meetings shall be established by the Charter, but cannot be less than the half of the Board members. Decisions of the Board can be taken by the majority of the Board members voices present at the meeting, unless otherwise provided by this Law, or a higher number of voices is required by the Charter or the agenda of the Board meeting approved by the General Assembly.

Each Board member may have only one vote during the voting. Transfer of the vote or the voting right to another party (including to the Board members) is prohibited. In case of equality of votes, the vote of the Chairman of the Board shall be decisive, unless otherwise provided by the Charter.

4. The Board can review issues included in the agenda only if the chief executive officer of the bank is present at the meeting, except the issues relating to premature suspension of the chief executive officer and terms and conditions of his remuneration. The chief executive officer of the bank participates in the meetings of the Board with advisory vote.

5. During the meetings of the Board minutes shall be taken. Minutes of the meeting shall be prepared within 10 days after the session. Minutes shall refer to:

- a. year, month, day, hour and the place of convening of meeting;
- b. parties participated at the meeting;
- c. agenda of the meeting;
- d. issues proposed for voting and the results of voting by each Board member present at the meeting;
- e. decisions taken at the meeting.

Minutes of the Board meeting shall be signed by all the shareholders who shall be responsible for assuring accuracy of information the minute.

Meetings of the Board shall be held by the Chairman of the Board who signs the decisions. The Chairman of the Board shall responsible for assuring accuracy of data in the decision.

(Article 21⁷ amended AL-227-N, 15.11.05)

Article 21⁸. Board Committees

The Board may create committees in order to enhance activities of the Board. Committees shall consist of members of the Board and other officials and employees of the bank. Decision of the Board committees are advisory.

(Article 21⁸ amended AL-227-N, 15.11.05)

Article 21⁹. Premature Suspension of Board Members

1. A Board member may be suspended prematurely subject to his application or subject to:

- a. being adjudged incapable or partly capable by court decision in force;
- b. any facts identified during his term prohibit him to be a Board member;
- c. unexcused absence from at least 1/4 of the sessions during one year, or at least half of the total sessions (including excused and unexcused absence). In the

meaning of this clause, the on-line equity interest both and equity interest by correspondence defined by the Charter shall be deemed regular equity interest;

d. disqualification or prohibition to hold a certain position in accordance with law.

2. A Board member may be suspended prematurely for the remaining period of his term and if the remaining period of his term is more than 1 year, the Board member shall receive severance pay for the remaining months of his term, equal to the amount of his annual salary.

The bank shall have the right to reclaim judicially the paid salary of the suspended Board member by proving at court that the latter failed to fulfill his duties in due manner.

(Article 21⁹ amended AL-227-N, 15.11.05)

Article 21¹⁰. Chief Executive Officer and Directorate of the Bank

1. Operational management of the bank shall be carried out by the chief executive officer and in cases envisaged by the Charter - the directorate. The chief executive officer can have deputies. The chief executive officer (members of directorate) shall be appointed by the Board, deputies – by the Board at the suggestion of the chief executive officer.

If the Charter provides for the establishment of the directorate, distribution of authorities between the chief executive officer and the directorate shall be clearly defined.

2. The directorate shall act pursuant to the Charter, the bank's by-laws (regulations, business regulations, etc), which define terms and conditions for arranging the meetings and taking decisions by the directorate.

The directorate shall mandatorily include the chief executive officer of the bank, his deputy (deputies), and the chief accountant.

During the directorate meetings minutes shall be taken. Minutes shall be available to the Board, the internal auditor and the external auditor upon their request. Minutes shall be prepared within 10 days after the meeting. Minutes shall include:

- a. year, month, day, hour and place of the meeting;
- b. participants;
- c. the agenda;
- d. issues put for voting, and the results of voting by each directorate member present the meeting;
- e. comments of the directorate members and other participants on issues discussed at the meeting;
- f. decisions taken.

Minutes shall be signed by all members of the directorate participating in the meeting, who bear responsibility for assuring accuracy of data included in minutes.

The meetings of the directorate shall be arranged and chaired by the chief executive officer who endorses decisions of the meeting. The chief executive officer shall be responsible for assuring accuracy of the registered decision.

3. The chief executive officer shall have an exclusive authority to represent the bank in the Republic of Armenia in foreign countries, sign transactions on behalf of the bank, represent the bank without power of attorney, and issue power of attorney.

The chief executive officer or the directorate shall:

- a. submit to the approval of the Board, by-laws of the head office and territorial units, and organizational structure of the bank;
- b. manage property of the bank, including financial resources, issue orders, and resolutions, give instructions within the scope of his authorities and monitor their execution;
- c. recruit and dismiss staff;
- d. reward staff and impose disciplinary punishment;
- e. monitor execution of the decisions of the General Assembly and the Board;

- f. manage otherwise daily operations of the bank in accordance with the Charter and by-laws approved by the Board.

Issues, which by Law or the Charter are not delegated to the General Assembly, the Board or the internal audit unit, shall be managed by the chief executive officer (the directorate).

The chief executive officer (the directorate) shall regularly, but not less than once in a quarter, submit performance report to the Board in accordance with procedure established by the Board.

Any issues in the power of the chief executive officer may not be delegated to other bodies of the bank governance, the internal audit unit, the chief accountant or any other person, unless powers of the chief executive officer were temporarily delegated to his deputy in due manner. Powers of the chief executive officer may be temporarily delegated his deputy in due manner, provided his qualification and professional adequacy complies with criteria established by the Central Bank.

4. Powers of the chief executive officer may be prematurely suspended by the Board pursuant to his application or subject to :

- a. being adjudged incapable or partly capable by court decision in force;
- b. any facts identified during his term prohibit him to be the chief executive officer;
- c. or prohibition to hold a certain position in accordance with law.

5. The chief executive officer may be suspended prematurely for the remaining period of his term and if the remaining period of his term is more than 1 year, the chief executive officer shall receive severance pay for the remaining months of his) term, equal to the amount of his annual salary.

The bank shall have the right to reclaim judicially the paid salary of the suspended chief executive officer by proving at court that the latter failed to fulfill his duties in due manner.

(Article 21¹⁰ amended AL-227-N, 15.11.05)

Article 21¹¹. The Chief Accountant

The chief accountant or his substitute (hereafter, the chief accountant) shall perform duties and have powers in accordance with the Republic of Armenia Law "On Accounting".

The chief accountant shall be appointed by the Board at the suggestion of the chief executive officer (directorate).

Powers and duties of the chief executive officer may not be delegated to the General Assembly, the Board, members the directorate , the internal audit unit or any other person.

The chief accountant) shall regularly, but not less than once in a quarter, submit financial performance report to the Board and the chief executive officer (the directorate) in accordance with procedure established by the Board.

The chief accountant shall be responsible for assuring accuracy of accounting, timely preparation and filing of the annual report and other financial and statistical reports set by the applicable law or statute to the state authorities, as well as for assuring accuracy of financial information provided to the shareholders, creditors, press and other outlets of mass media in accordance with the applicable Law, Statutes and the Charter.

(Article 21¹¹ amended AL-227-N, 15.11.05)

Article 21¹². Internal Audit Unit

1. Head of the internal audit unit and the staff shall be appointed by the Board. Members of the governance bodies, other officials and employees, as well as persons affiliated with the directorate may not be included in the internal audit unit.

Head of the internal audit unit and the staff shall obey to applicable conduct rules.

2. Subject to by-laws approved by the Board, the internal audit unit shall:

- a. control daily operations and business risks;
- b. control compliance with law, statutes, by-laws and the by the chief executive officer of the bank (directorate), territorial and structural units, monitor execution of the assignments provided to the chief executive officer (directorate);
- c. provide opinion and make suggestions on the assignments provided by the Board or its members.

Issues under the power of the internal audit unit may not be delegated to bank governance bodies or other persons.

3. Head of the internal audit unit shall submit to the Board and the chief executive officer (directorate) the following statements:

- a. annual audit report about;
- b. urgent report if according to reasonable opinion of the internal audit unit substantial failures were identified; furthermore, if the failures are caused by the activities or inaction of the chief executive officer (directorate) or the Board, the report shall be directly filed to the Board Chairman.

In cases defined hereof, reports shall be delivered within two working days after identification of failure.

In case of identifying violation of laws or statutes, the internal audit unit shall report thereto to the Board, suggesting remedy and preventive measures.

4. The banks shall not establish oversight committees.

(Article 21¹² amended AL-227-N, 15.11.05)

Article 22. Senior Officials, Evaluation Procedure

1. Senior officials of the bank are Chairman, Deputy Chairman and members of the Board, chief executive officer, deputy chief executive officer, chief accountant, deputy chief accountant, head of the internal audit unit, members of the internal audit unit, members of the directorate, heads of territorial and structural units of the bank, such as head of department, division, or unit, and other employees, which pursuant to criteria set by the Central bank Board and subject to its reasonable opinion are directly involved in the core activities of the bank, work under direct control of the chief executive officer or have certain decision-making power on issues within competence of senior officials.

2. The following persons may not be senior officials:

- a. convicted for a crime of forethought;
- b. prohibited by court to be employed in financial, banking, tax, customs, commercial, economic, or legal areas;
- c. adjudged bankrupt and having outstanding (not relieved) liabilities;
- d. not meeting with qualification and professional adequacy criteria set by the Central Bank;
- e. those who in the past committed actions, which according to the guidelines set by the Central Bank and in its reasonable opinion allow to suspect that the person is unable to perform as a senior official in the area entrusted to him, or his activities may lead to bankruptcy, or deterioration of the bank performance or harm its goodwill;
- f. involved in a criminal case as an alleged offender or defendant.

3. The Central Bank can set the evaluation procedure and adequacy criteria of the senior officials.

4. (Paragraph 4 repealed AL-46-N, 03.03.04.)

4. Chairman or member of the Board cannot be employed as member of the directorate or other staff member in the bank, neither as a member of board, member of the directorate or other staff member in another bank or credit organization, unless the respective bank or other bank or credit organization are affiliated.

Chief executive officer, deputy chief executive officer, chief accountant, member of directorate, head and staff member of the internal audit unit of a bank cannot be employed as chief executive officer, deputy chief executive officer, chief accountant, member of directorate, head and staff member of the internal audit unit of another bank.

Apart from scientific, educational and creative work members of the directorate may work for pay only by the permission of the Board of the bank.

(Article 22 amended AL-253, 23.10.01; AL-46-N, 03.03.04; AL-227-N, 15.11.05.)

CHAPTER 3

PROCEDURE OF BANKING LICENSING

Article 23. Banking License

1. The banking license is the document issued by the Central Bank to certify the permission to perform banking.

2. The Central Bank shall have the exclusive right to issue a banking license.

3. The banking license has no time limit and the rights given by it cannot be transferred or otherwise alienated.

4. The banking license shall contain the following information: the license number, date of issue, the full business name of the licensed bank or the branch of a foreign bank and the registration number. The Central Bank shall issue a single form of the banking license.

5. The banking license may be invalidated or become null and void by a decision of the Central Bank in cases outlined by this Law.

6. In the case of liquidation of a bank or a branch of a foreign bank the banking license is null and void and shall be returned to the Central Bank under the procedure and within the period determined by the latter.

7. In case of loss of the banking license the bank or the branch of the foreign bank shall immediately inform the Central Bank. The Central Bank shall restore the lost banking license within one month after receiving the request from the bank or the branch of the foreign bank.

8. The process of licensing banking activities is regulated by this Law and by the legislative acts of the Central Bank. In case other provisions for licensing banking activities in other laws contradict provisions of this Law the latter shall prevail.

(Article 23 amended AL-253, 23.10.01)

Article 24. Stages of Licensing

1. The licensing process shall commence at the moment of filing of the letter of request to obtain the preliminary consent to licensing banking activities and finish at the moment of licensing or waiving the request.

2. The stages of the process of licensing shall be as follows:

- a. preliminary consent to licensing;
- b. registration of a bank or of the branch of a foreign bank;
- c. licensing.

Article 25. Documents to be Filed for Preliminary Consent to Licensing

To receive the preliminary consent to licensing the following documents shall be presented to the Central Bank:

- a. letter of request from the initiating parties or the foreign bank;
- b. the draft charter of the establishing bank, and in the case of the foreign bank's branch the bank's statutory documents and the draft charter of the branch,
- c. the operational plan of the prospective bank or of the foreign bank's branch in a form determined by the Central Bank that shall cover the upcoming three years and shall include the internal organizational structure and income and expenditures estimate of the bank or the branch of the foreign bank, the trends for long-term financial development, description of the potential investment markets, major instruments for attracting assets, methods of sustaining the competition, the principles of the bank's governance and assessment of possible risks.
 - i) data required by the Central Bank about parties acquiring qualified holding in the statutory fund of the prospective bank in the manner, procedure and conditions specified by the Central Bank, including statements of the respective qualified shareholders that no other party is acquiring the indirect status of a qualified shareholder of the prospective bank via their share, otherwise these parties holding qualified holding also submit to the Central Bank the documents required by the latter concerning the parties holding indirect qualified holding,
 - ii) data on those legal entities in the manner, procedure and conditions specified by the Central Bank (including name, location, financial statements, information about managers, qualified shareholders) in which the party, acquiring the qualified holding in bank's statutory fund, holds the qualified holding;
- d. other documents specified by the Central Bank.

(Article 25 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 26. Preliminary Consent to Licensing

1. Within one month after filing of the documents defined in Article 25 of this Law in the manner and under the procedure specified by the Central Bank, the Central Bank shall review the letter of request. The Central Bank may reject the letter of request, if:

- a. the activities of the prospective bank or of the branch of the foreign bank would contradict laws and other regulations;
- b. the operational plan of the bank or of the branch of the foreign bank does not comply with the form specified by the Central Bank and/or according to the criteria determined by the Central Bank and from reasonable point of view of the Central Bank if acting according to that plan the bank would be unable to perform normal banking activities, or the economic program is non-realistic;
- c. in case of a branch of a foreign bank, the foreign bank is not authorized to perform banking activities in the country of incorporation and its primary operation, or the Central Bank considers that the banking supervision agencies of the country of incorporation and primary operation of the bank do not implement due control over the bank and its foreign branches as of a single system;
- d. the party acquiring the qualified holding in the statutory fund of the bank or the related legal entities from reasonable point of view of the Central Bank is in a poor financial shape, or the deterioration of the performance of the party acquiring qualified holding or of the related legal entities may cause the deterioration of the performance of the bank, or the activities of the parties acquiring the qualified holding in the statutory fund of the bank and/or of the related legal entities or their interrelations with the bank from reasonable point of view of the Central Bank may impede the effectiveness of banking supervision performed by the Central Bank or prevent the detection or handling of bank risks.

2. The one-month period required by the Central Bank for the consideration of the letter of request may be suspended by the decision of the Board of the Central Bank. If the application is not rejected within one month or the decision on suspension of the period is not notified to the party, the preliminary consent shall be deemed granted. The Central Bank shall give preliminary consent to the party which has filed the letter of request within one day after receiving it.

3. Decision of the Central Bank to give a preliminary consent or to reject the application may not be appealed in the court.

(Article 26 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 27. Registration of Banks and of Branches of Foreign Banks

1. The following documents shall be presented for the registration by the Central Bank of a bank or of a branch of a foreign bank:

- a. application for registration, the decision or the extract of the protocol of the General Assembly of the shareholders of the bank or of the equivalent managing body of the bank or of the foreign bank to the effect of approval of the bank's or the foreign bank's branch's charter and election (appointment) of the bank managers;
- b. reference on activities of the managers of the bank or of the branch of the foreign bank in the form specified by the Central Bank;
- c. the Charter or the charter of the foreign bank's branch approved by the foreign bank;
- c¹ application for registration of the bank brand name (except for branches of foreign banks). Provisions on application, list of the documents attached thereto and all issues relating to review of the application, registration and change of the brand name shall be governed by the republic of Armenia Law on "Brand Names";
- d. the list of the managers of the bank or of the foreign bank's branch, their authenticated signatures;
- e. statement on absence of grounds provided by Article 18 of this Law for the parties holding the qualified holding in the bank's statutory fund in the form specified by the Central Bank;
- e¹. the required by the Central Bank data about parties acquiring qualified holding in the statutory fund of the prospective bank in the manner, procedure and conditions specified by the Central Bank, including statements of the respective qualified shareholders that no other party is acquiring the indirect status of a qualified shareholder of the prospective bank via their share, otherwise these parties holding qualified holding also submit to the Central Bank the required by the latter documents concerning the parties holding indirect qualified holding,
- e². data on those legal entities in the manner, procedure and conditions specified by the Central Bank (including name, location, financial statements, information about managers, qualified shareholders) in which the party, acquiring the qualified holding in bank's statutory fund, holds the qualified holding;
- f. other documents specified by the Central Bank.

2. Within one month after receiving all the documents defined in paragraph 1 of this Article, the Central Bank shall register the bank or the branch of the foreign bank or reject the registration. The one-month period may be suspended by indefinite time for the purpose of receiving certain information by the Central Bank. The bank shall be considered registered if the Central Bank does not reject the application for registration within the one-month and the party is not notified of suspension of the one-month period.

3. The Central Bank shall reject the application for registration of the bank or of the foreign bank's branch if information in the filed documents is inaccurate or wrong, or the

presented documents are incomplete or insufficient, or the party acquiring the qualified holding in the statutory fund of the bank or the related legal entities from reasonable point of view of the Central Bank is in poor financial shape, or the deterioration of the performance of the party acquiring qualified holding or of the related legal entities may cause the deterioration of the performance of the bank, or the activities of the parties acquiring the qualified holding in the statutory fund of the bank and/or of the related legal entities or their interrelations with the bank from reasonable point of view of the Central Bank may impede the effectiveness of banking supervision performed by the Central Bank or prevent the detection or handling of bank risks.

4. The bank or the branch of the foreign bank shall be registered only in case of existence of the required minimum size of the statutory capital amount determined by the Central Bank in the relevant account with the Central Bank.

5. The bank shall receive the status of a legal entity from the moment of registration by the Central Bank.

6. Within a three-day period after adopting the decision on registration of the bank or of the branch of the foreign bank, the Central Bank shall provide the founders with the registration certificate.

7. Within a five-day period after adopting the decision on registration of the bank or of the branch of the foreign bank, the Central Bank shall notify the state body authorized to register enterprises for the latter to make relevant record on registration of the bank or of the branch of the foreign bank.

(Article 27 amended AL-253, 23.10.01; AL-227-N, 15.11.0; AL-141-N, 08.06.09)

Article 28. Registration of a Branch and of a Representative Office

1. Branches of the banks operating in the Republic of Armenia being founded in the Republic of Armenia shall be registered by the Central Bank upon filing of the documents as follows:

- a. the decision of the bank or the extract from the protocol on founding the branch of the bank;
- b. the letter of request of the bank;
- c. the charter of the branch,
- d. reference on activities of the managers of the bank or of the branch of the foreign bank in the form specified by the Central Bank. The Central Bank may evaluate the managers of the branch to assess their professional adequacy;
- e. business plan of the prospective branch in a form determined by the Central Bank that shall include the internal organizational structure, the prospective financial operations and the main fields of activity, approximate structure and composition of assets and liabilities, and planned calculation of profits and losses for the upcoming two years;
- f. the document verifying the provision of premises for the branch and the compliance of facilities and equipment with the requirements established by the Central Bank;
- g. other documents required by the Central Bank.

2. For registration of representative office of a bank or of a foreign bank in the Republic of Armenia the following documents shall be presented to the Central Bank:

- a. letter of request of the founder bank;
- b. grounds for establishment of the representative office;
- c. a copy of the charter of the founder bank;
- d. charter of the representative office;
- e. other documents specified by the Central Bank.

3. Banks operating in the Republic of Armenia shall receive the approval of the Central Bank to establish branches and representative offices outside of the Republic of Armenia, presenting the letter of request of the founder bank, business program of the established branch and other documents required by the Central Bank, and shall be registered in the Central Bank after registration (licensing) in the foreign country under the procedure prescribed by the legislation of the respective country, presenting the document certifying the registration (licensing).

4. Within one-month after receiving the letter of request and the required documents prescribed by this Article, the Central Bank shall register the branch or the representative office and shall issue the registration certificate, and in case of waiving it, shall notify the bank on the grounds of waiving within ten days. The one-month period specified for the consideration of the registration request may be suspended to receive additional information requested by the Central Bank. If the letter of request is not rejected within one month or the decision on suspension of the period is not notified to the party, the preliminary consent shall be deemed granted. Grounds for waiving the registration of the branch or of the representative office shall be established by the Central Bank.

5. Within five days after adopting the decision on registration of the branch or of the representative office, the Central Bank shall inform the state body authorized to register enterprises for the latter to make relevant record on registration of the branch or of the representative office.

6. The Central Bank may reject request for registration of the bank's branch within the Republic of Armenia or outside of the Republic of Armenia if:

- a. information in the filed documents is inaccurate or wrong;
- b. documents are incomplete;
- c. premises and equipment of the branch do not comply with the requirements set by the Central Bank;
- d. the professional integrity or qualification of the managers of the bank's branch do not comply with criteria set by the Central Bank,
- e. within one year before filing of the documents for registration of the branch to the Central Bank, the bank has infringed the main prudential standards, or the consolidated scoring of the bank is below the threshold determined by the Board of the Central Bank, or the establishment of the branch according to the criteria of the Central Bank will result in deterioration of its performance;
- f. where a bank establishes a branch outside of the Republic of Armenia - if the bank fails to justify the necessity of establishing a branch in the respective country and from reasonable point of view of the Central Bank Board, the bank is trying to launder money;
- g. other grounds defined by the Central Bank are evident,
- h. in case of establishing a branch outside of the Republic of Armenia, the body responsible for banking supervision in the respective country from reasonable point of view of the Central Bank Board fails to control the banks registered in the country efficiently and in conformance with best practices, or the authorities of the respective country forbid the Central Bank to adequately control the branch.

7. The Central Bank may reject the request for establishing a representative office in the Republic of Armenia by a local bank or foreign bank, or establishment of a foreign representative office of a bank operating in the Republic of Armenia if:

- a. information in the filed documents is inaccurate or wrong;
- b. documents are incomplete;
- c. from reasonable point of view of the Central Bank, establishment of representative office will result in deterioration of the bank performance,
- d. based on other grounds set by the Central Bank.

8. The Board of the Central Bank shall establish the rules and conditions for termination and temporary suspension of the activities of a branch and of a representative office. In cases and under rules and conditions provided by the Central Bank it may reject the termination or temporary suspension of the activities of a branch or of a representative office.

(Article 28 amended AL-253, 23.10.01; AL-46-N, 03.03.01; AL-227-N, 15.11.05)

Article 29. Licensing

1. Within one year after receiving preliminary consent of the Central Bank a bank shall to apply to the Central Bank for license. The Central Bank shall issue the license to the registered bank or a branch of a foreign bank within one month if the following criteria is met:

- a. minimum size of the total capital defined by the Central Bank is paid up;
- b. premises bought or leased by the bank and the equipment thereof is adequate to the criteria set by the Central Bank and business plan of the bank or of the branch of a foreign bank;
- c. internal organizational structure and operational system of the bank or branch of a foreign bank are in place;
- d. qualification and professional integrity of the bank or foreign bank's branch management (excluding heads of structural departments), meets with the requirements of the Central Bank. The Central Bank may evaluate management of the bank or branch of the foreign bank in order to check their adequacy;
- e. for branches of foreign banks, consent of the supervising authority in the country of incorporation or primary operation of the bank to establishment a branch in the Republic of Armenia;
- f. other criteria set by the Central Bank.

2. The one month period for reviewing the license application may be suspended subject to additional provisions of the Central Bank.

3. The Central Bank may reject the license application after giving preliminary consent and registration of the bank, if conditions under which the preliminary consent was given change seriously, and/or subject to unlawful or dishonest actions of the bank management after receiving the preliminary consent, as well as serious worsening of the qualified shareholders performance.

4. Subject to failure to submit the license application within the period defined in paragraph 1 hereof, preliminary consent and registration by the Central Bank shall be revoked.

(Article 29 amended AL-253, 23.10.01, AL-46-N, 03.03.04)

Article 30. Registration and License Fees

Fees for the registration and licensing of banks, branches of foreign banks and other parties, provision of evaluation certificates to bank senior officials, back up of a lost license or registration certificate shall be paid in accordance with the Republic of Armenia law on "Stamp Duty". The Central Bank may charge independent service fee for evaluation and qualification.

(Article 30 amended AL-253, 23.0.01; AL-46-N, 03.03.04)

Article 31. Banks Register

The Central Bank shall keep a centralized register of banks, branches thereof and branches of foreign banks, as well as representative offices of banks and foreign banks that shall include the information as following:

- a. the number of the registration certificate;
- b. the date of registration;
- c. the organizational-legal form of the bank, the brand name of the bank;
- d. the location of the bank;
- e. the founders (shareholders, shareholders) of the bank;
- f. the size of the statutory fund of the bank;
- g. in case of establishing of a branch or of a representative office by the bank the location and the brand name thereof;
- h. on termination of the activities of the bank.

(Article 31 amended AL-253, 23.10.01)

Article 32. Revocation of Activity License, Legal Effects

1. The Board of the Central Bank may revoke banking license if the bank or the branch of a foreign bank has been granted license based on bad papers or information.

For the purpose of this Law, the information or documents shall be deemed bad if in case of accuracy of the provided information or documents the Central Bank would have rejected the license appeal.

2. The decision of the Board of the Central Bank to revoke the license shall be promptly made available through media.

3. The bank may not perform banking activities from the day of enforcement of the decision on revocation of its license, except if it carries out transactions for the fulfillment of the committed liabilities, disposal of assets and their final allocation. From the moment the decision of the Board of the Central Bank to void the license comes into force the bank shall be subject to liquidation in accordance with the law.

4. The bank or the branch of a foreign bank shall be immediately informed in writing about the decision of the Board of the Central Bank to revoke the license along with the grounds for such a decision. The appeal to the court against the decision of the Board of the Central Bank to void a banking license shall not suspend the implementation of the decision for the period of the court hearing.

5. The banking license of the bank shall be revoked only in the manner provided by this Law. In case when other laws prescribe for other rules of voiding the license, the provisions of this Law shall prevail.

(Article 32 amended AL-253, 23.10.01)

Article 33. Registration of Changes

1. The banks and branches of a foreign bank operating in the Republic of Armenia submit changes for the registration by the Central Bank, as follows:

- a. amendments to the Charter and of the branch of a foreign bank;
- b. changes in the management personnel (except for the heads of structural departments);
- c. other changes provided by the law or by the Central Bank's regulations.

2. The Central Bank register or reject the registration of the amendments provided by paragraph 1 of this Article within one month after receiving the documents requested by it for the registration of the aforementioned changes. The one-month period may be suspended in order to receive clarifications requested by the Central Bank. In absence of rejection or of a notification to the bank on suspension of the one-month period, the change shall be deemed registered.

The Central Bank shall register the changes if those do not contradict the laws and other regulations and have been filed in due manner and form. The Central Bank shall establish terms and conditions for filing of the request to register the amendments.

3. The changes defined in this Article shall come into force from the moment of registration of those by the Central Bank.

4. In case of a change in the amount of the statutory capital the banks operating in the Republic of Armenia shall open accumulation account at the Central Bank. The assets in the accumulation account shall be frozen by the Central Bank, and the bank may not control, manage and use those assets until registration of the changes by the Central Bank in the manner provided by this Article.

Banks operating in the Republic of Armenia may not open accumulation accounts in other banks in case of change in the statutory capital.

(Article 33 amended AL-253, 23.10.01)

Article 33¹. Voiding of Registration

The decision (order) of the Board or of the Chairman of the Central Bank confirming the facts subject to registration at the Central Bank shall be considered voided by the decision (order) of the Board or of the Chairman of the Central Bank in manner provided by this Law if the bank has filed to the Central Bank fake documents and information for the purpose of registration of a branch, representative office or of an amendment provided by this Law or for the purpose of receiving certificate of qualification, professional integrity of the management of the bank, or in other cases stipulated by this Law.

(Article 33¹ amended AL-253, 23.10.01)

CHAPTER 4

REGULATION OF THE BANKING ACTIVITIES

Article 34. Financial Operations

1. The banks, branches thereof, branches of foreign banks operating in the Republic of Armenia in manner provided by laws and other regulations may:

- a. accept demand and term deposits;
- b. provide commercial and consumer credits, including mortgage, financing of the debt and commercial transactions, factoring;
- c. issue guarantees and letters of credit;
- d. open and keep accounts, including correspondent accounts of other banks;
- e. provide payment services and/or otherwise serve the customers' accounts;
- f. issue, purchase (discount), sell off and serve securities, perform other similar operations;
- g. make investments and subscriptions;
- g1. Subject to complying with provisions of law, implement investment fund (including pension fund) depositary activities,
- h. perform financial dealing, manage securities and investments of other persons (authorized management);
- i. buy, sell and manage precious bullions and souvenir coins;
- j. buy and sell (change) foreign exchange, sign dram and foreign exchange futures, options, etc.,
- k. conduct leasing;
- l. take on saving precious metals, stones, jewelry, securities, documents, etc.;
- m. give financial and investment consulting;
- n. to establish and maintain an information system on the solvency of customers, take measures on the collection of arrears,
- o. sell insurance policies and/or agreements, carry out operations of insurance dealer according to law.

2. The Central Bank may allow the banks to carry out types of operations which are not envisaged directly in this law, provided their close correlation with banking activities, or they don't contradict the objectives of this law, and don't endanger the interests of the depositors or creditors of the bank.

3. Banks may sign any civil contract necessary or expedient to implementation of the activities provided by this Law.

Banks may not perform manufacturing, trading, or insurance operations, unless otherwise envisaged by the law..

(Article 34 amended AL-253, 24.11.04; AL-155-N, 24.11.04; AL-46-N, 25.12.06; AL-184-N, 09.04.07, edited, AL-255-N)

Article 35. Investment and Subscription Activities

Banks may perform investment activities, on their or their customers' behalf and expense buy, sell or otherwise acquire shares, bonds, or other securities, or acquire shares, bonds and other securities of other persons (issuers), for the purpose of allocation (subscription activities).

Banks may not subscribe to the securities of a person, and at the same time provide loans to him against the liabilities mentioned in the securities.

Without permission of the Central Bank, banks may not perform transactions or operations resulting to:

- a. acquisition of 4.99% and above equity interest in the statutory fund of any other person,
- b. acquisition of equity interest in the statutory fund of one person, exceeding 15% of the bank's total capital,
- c. acquisition of equity interest in the statutory funds of other persons, exceeding in total 35% of the bank's total capital.

(Sentence 1 removed, AL-46-N, 03.03.04). The bank, in the manner defined in this paragraph, when obtaining equity interest in the statutory fund of other persons, shall consolidate the balance sheets of those persons in its balance sheet in the manner set by the Central Bank. The Central Bank in the manner and conditions defined by it shall execute supervision over those persons, the balance sheets of which in the manner defined by this article are consolidated in its balance sheet (consolidated balance sheet). The Central Bank shall carry out inspections in non-bank entities, non-credit institutions or other entities, not licensed by the Central Bank, whose balance sheets are consolidated in the bank's balance sheet as determined herewith, according to chapter 5¹ of the law on the Central Bank of the Republic of Armenia.

In the manner defined by this Paragraph the Central Bank's prior consent shall be required in the case of execution of every new transaction or transactions, as a result of which the bank's equity interest in the statutory fund of another or the same person shall exceed 9%, 15%, 35%, 50%, 70% or shall be 100%.

2. For acquiring equity interest in the statutory fund of a foreign bank or establishing a bank with equity interest as determined herewith, the Central Bank may reject the application for receiving preliminary consent, if acquiring equity interest in a foreign bank or establishing a bank with such equity interest does not comply with requirements and conditions of this paragraph, or if by the well-reasoned opinion of the Central Bank, the body responsible for banking supervision in the respective country does not adequately supervise the banks registered in the respective country, or the respective country does not allow the Central Bank to carry out inspections or adequately supervise the bank with such equity interest.

3. The Central Bank in the cases defined by Paragraph two of this Article, shall review the application on giving a prior consent about the planned transaction within one-month

period and give its consent, if the planned transaction is adequately meeting the financial conditions of the bank, and will contribute to the development of activities of the given bank in the financial market according to the conditions and manner approved by the Central Bank and will not be in contrast with the conditions defined by the Central Bank.

4. A prior approval, as defined in Section 2 of this Article may not be required if:
 - a. equity interests in the statutory fund of other person were acquired against his outstanding liabilities. Equity interests, acquired through this procedure, shall be alienated in the possibly shortest terms, but not later than in six months. The Central Bank, on considering the situation at the securities market, and financial performance of the bank, may extend the terms of alienation of the equity interests for another six months, for the purpose of their better allocation.
 - b. a bank acquired equity interests in the statutory fund of other person on behalf and at the expense of its customer, or while making subscription on commission, provided the bank has to set off the issuer only the cost of the sold (allocated) securities.

If the bank has not alienated equity interests thus acquired within the terms specified in clause “a” of Section 3 of this Article, the Central Bank may oblige the bank to consider the amount of equity interests as a loss, and immediately sell it, or fine the bank through the Court, at the amount of 1% of equity interests per each day of delay.

(Article 35 amended AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 35.1 Voluntary Funded Pension Activity

1. Banks may implement voluntary funded pension activity in accordance with the Republic of Armenia law “On Funded Pensions”.

2. Banks may solely offer voluntary pension schemes “funded pension deposits”.

(Article 31.5 edited, AL-255-N)

Article 36. Payment of Dividends Prohibition to Minimize the Capital

1. Unless otherwise is provided for by the law and the charter, banks may decide (announce) to pay quarterly, semiannual and annual dividends to the shareholders.

2. The decision on paying interim dividends (quarterly, semiannual), their amount and terms of payment shall be adopted by the Board. The decision on paying annual dividends, their amount and terms of payment shall be adopted by the General Assembly based on the Board proposal. Interim dividends cannot be more than 50 percent of dividends paid according to the results of the previous financial year. The annual dividends cannot be less than paid interim dividends.

If the General Assembly prescribes that annual dividends should be equal to the paid interim dividends, the annual dividends shall not be paid.

If the General Assembly prescribes that annual dividends should be higher than the paid interim dividends, they shall be paid in the amount which is equal to difference between the approved annual dividends and paid interim dividends.

The General Assembly may decide not to pay dividends for preference shares, and if the bank is a joint stock company - to pay dividends partly for the above shares.

3. Terms of payment of annual dividends shall be determined by the charter or the decision of General Assembly about dividends payment. Terms of payment of interim dividends shall be determined by the decision of the Board on interim dividends and shall be determined not earlier than in 30 days after adoption of the respective decision.

For each payment of dividends, the Board shall make the list of the shareholder eligible for dividends, including:

- a. in case of interim dividends, for shareholders registered in the banking log, at least 10 days before the day of the Board decision about payment of interim dividends;
 - b. in case of annual dividends, for shareholders registered in the banking log, by the day of making the list of the shareholders who can participate in the annual General Assembly.
4. The Central Bank shall restrict or prohibit the participants to pay dividends, if at the moment of their distribution the losses incurred by the bank (loses) shall be equal to the amount of the net retained earnings available in the bank at that moment or exceed that.
5. The reduction of actually replenished statutory fund of the operating bank via distribution of dividends or otherwise shall be prohibited, except for cases set in paragraph 6 of this Article.
6. The shareholders with voting stock may request the bank to set recalling price for their of voting shares equity interest, or recall them partly or fully, if:
- a. they have voted against or did not participate on voting on reorganization of the bank, suspension of preferential right or signing a major transaction;
 - b. they have voted against or did not participate on voting on amendments in the charter or adoption of a new charter which will limit their rights.

The list of the shareholders who have the right to request recalling of their equity interest shall be made based on the banking log data on registered shareholders, as of the day of preparing the list of shareholders entitled to participate in the General Assembly, which will decide on issues limiting the rights of shareholders as defined hereinabove.

Equity interest is recalled by bank as its market value, without the estimation of the share and regardless the changes arising from the actions of the bank giving the rights of repurchase.

The reduction of statutory fund is also allowed in cases determined by the Armenian Law “on Bankruptcy of Banks, Credit Organizations, investment companies, investment fund managers and Insurance Companies”.

7. The preliminary consent of the Board of the Central Bank shall be necessary for the repurchase of share. The Central bank may reject granting such consent, if:
- a. in case of repurchasing the share the bank will be unable to meet the demands of its creditors;
 - b. the prudential standards will be infringed;
 - c. it will cause the instability of the banking system of the Republic of Armenia.

8. If the bank repurchases its shares (equity, stock) the decision about the reduction of statutory capital or decision about realization of the shares (equity, stakes) is adopted by the General Assembly by the 3/4 of the votes of the holders of voting shares (equity, stakes) participating at the meeting, but not less than 2/3 of the votes of such.

(Article 36 amended AL-253, 23.10.01; AL-65-N, 27.04.04, amended, AL-255-N)

Article 37. The purchase or acquisition of the bank’s own shares, and restrictions on loans to purchase or acquire bank stock

1. Discounting, purchase or acquisition in another form of compensation, acceptance in form of collateral for a loan of own shares by the bank shall be prohibited, except for the cases defined in paragraph 6 of Article 36 of this Law when the bank repurchases its own shares (equity, stakes), as well as the cases when acceptance of the shares in form of collateral or acquisition of the shares is necessary for the prevention of possible losses that may be caused by non-fulfillment or unduly fulfillment of the previously assumed obligations towards the bank. Meanwhile, the bank shall dispose the shares within a two-month period after it has acquired the property rights over such shares.

2. The Central Bank may extend the terms defined in Section 1 of this Article for another six months, taking into account the current situation at the securities market, and performance of the bank.

3. 3. The Bank shall be prohibited to lend or make other extensions of credit to the borrower or affiliate persons for the purpose of acquiring equity interest in the statutory fund of the bank, as well to guarantee or give a guarantee for receiving a loan or borrowing from the third person. The transactions concluded with the breach of this Article shall be considered as void.

(Article 37 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 38. Relations between banks and customers

1. The relations of a bank and a customer shall be of contractual character.

Banks shall set such rules for activities which will preclude conflict of interests, particularly:

- a. liabilities of the bank to one customer may not interfere with its liabilities to any other customer
- b. interests of the bank and the employees shall not interfere with the liabilities of the bank to its customers.

2. On signing a loan or any other agreement with a customer, the bank may not oblige the customer to sign any additional banking agreement.

3. Bank shall provide banking data subject to disclosure at a request of the customer, except the cases defined in the legislation.

4. Bank is liable for violation of rules defined in Sections 2,3 and 4 of this Article, in the manner envisaged by the legislation..

Article 39. Transactions with related parties

1. The transactions signed with the parties related to the bank shall not provide for more preferential conditions (including opportunity to sign a transaction, prices, interest rates, term and other) for the latter than similar transactions signed with physical entities that are not bank employees, as well as with legal entities. Transactions of the bank with parties related with it shall be signed in accordance with the internal procedure stipulated for respective transactions. The conclusion of transactions specified in paragraph 1 of Article 34 of this Law [except for sub-paragraphs (d), (e), (j) and (l)] shall be approved by the Board of the bank on presentation of the chief executive officer.

The transactions signed with bank's affiliates with the infringement of this paragraph shall be considered null and void.

2. For the purpose of this Law and other laws regulating banking activities the following parties shall be considered related to the bank:

- a. the management of the bank,
- b. the parties with qualified holding in the bank's capital;
- c. the parties related to and/or cooperating with parties listed in sub-paragraphs (a) and/or (b) of this paragraph;
- d. the parties interrelated with the bank.

(Article 39 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 39¹. Major Transactions for Acquisition and Disposal of Bank's Property

1. Major transactions are:

- a. one or more interconnected transactions (except for transactions carried out in the framework of normal economic activities of the bank) that relate directly or

- indirectly to the acquisition of property, disposal of property carried out by the bank, or the possibility of acquisition of property, disposal of property, and their value makes 25 and over percent of bank assets' book value as of the day of adopting the decision on signing the transaction;
- b. one or more interconnected transactions subject of allocation of ordinary shares or of convertible preference shares that make 25 and over percent of already allocated ordinary shares of the bank.
2. The value of the property as subject of major transaction is established according to Article 39⁷ of this Law.

(Article 39¹ amended AL-227-N, 15.11.05)

Article 39². Signing of Major Transactions for Acquisition and Disposal of Bank's Property

1. The decision about signing a major transaction subject of property and costing from 25 to 50 percent of bank assets' book value as of the day of making decision about signing the transaction be adopted by the Board unanimously.

If the Board does not adopt the decision about signing the transaction it has the right to make a decision about filing the matter at the General Assembly.

2. In case defined in the second passage of paragraph 1 of this Article as well as if the cost of the property that is the subject of the transaction is over 50 percent of the bank assets' book value as of the day of making decision about signing the transaction, the decision about signing the transaction shall be adopted by the General Assembly by the 3/4 of votes of voting shareholders (shareholders) participating in the meeting.

3. Disregard of this Article shall result in nullity of the transaction.

Signing a major transaction disregarding this Article shall not result in nullity of the transaction if the party signing the transaction with the bank has been bona fide, i.e. did not know or could not know about the disregarding of the mentioned requirements by the bank.

(Article 39² amended AL-227-N, 15.11.05)

Article 39³. Concerned Parties in Bank's Transactions

Concerned parties in bank's transactions are the member of the Board, parties holding other positions in the bank's management or the shareholder of the bank that together with its affiliates holds 10 and more percent of the bank's voting shares (equity, stakes), if these parties or its affiliates:

- a. are the party of the transaction or are agents or the representatives of the transaction;
- b. hold 20 and more percent of voting shares (equity, stakes) of the legal entity that is the party, agent or representative of the transaction;
- c. hold positions in the management of the legal entity that is the party, agent or representative of the transaction.

(Article 39³ amended AL-227-N, 15.11.05)

Article 39⁴. Information about Concern in Bank's Transactions

The parties defined in Article 39³ of this Law shall inform the Board, internal audit and the party performing external audit about:

- a. the legal entities where they are self-holders of or they hold together with its affiliates 20 and over more percent of voting shares;
- b. the legal entities in management of which they hold positions;

- c. certain transactions signed or subject to be signed in which they can be considered concerned party.

(Article 39⁴ amended AL-227-N, 15.11.05)

Article 39⁵. Procedure of Signing Concerned Party's Transactions

1. The decision of bank to sign a concerned party's transaction shall be adopted by the Board by a majority of Board members that do not have concern in signing it.

2. For adoption of a decision about signing a concerned party's transaction the Board shall come to the conclusions as follows:

- the amount that the bank shall get by the transaction is not less than the market value of the bank's property transferred to other party by the transaction, of provided services to that party or of work executed for the latter calculated according to Article 39⁷ of this law;
- the amount that the bank shall pay by the transaction for the acquired property, received services or work executed for bank does not exceed the market value of that property provided services or executed work calculated according to Article 39⁷ of this Law.

3. The decision about signing the concerned party's transaction shall be adopted at the General Assembly by a majority of holders of voting shares (equity, stakes) that do not have concern in the transaction, if the transaction and/or interconnected transactions are signed in the purpose of allocation of bank's voting shares or bank's other convertible securities the amount of which is 2 percent more than the amount of bank's already allocated voting shares.

4. The concerned party's transaction that comply with the requirements of paragraph 3 of this Article may be signed without the decision of General Assembly, if:

- a. the transaction is a borrowing to the bank from the concerned party;
- b. the transaction is a result of normal economic activity between the bank and the other party signed before the acknowledgement of concern specified in Article 39³ of this Law (decision is not required till the convening of next General Assembly).

If it is impossible to foresee the possibility of concern in the normal economic activities of the bank and the other party of the transaction as of the day of holding the General Assembly, the requirements of paragraph 3 of this Article shall be considered fulfilled if the General Assembly decides on establishing relations between the bank and the other party of the transaction on contractual basis which will determine the type of the transactions and their maximum value.

5. If all the members of the Board have been recognized as concerned parties the decision about signing the transaction shall be adopted by the General Assembly by a majority of shareholders having no concern in this transaction.

6. If a concerned party's transaction is a major transaction for disposal or acquisition of bank's property, it shall be signed taking into account also the provisions of the Article 39¹ and 39² of this Law.

(Article 39⁵ amended AL-227-N, 15.11.05)

Article 39⁶. Consequences of Non-Performance of Requirements for Signing Concerned Party's Transaction

1. The concerned party's transaction that has been signed with infringement of requirements defined in Article 39⁵ of this Law shall not result in nullity of the transaction if the party signing the transaction with the bank has been bona fide, i.e. did not know or could not know about the disregarding of the mentioned requirements by the bank.

2. The party recognized as a concerned party shall bear responsibility in the amount of losses inflicted to the bank. If more parties are responsible they shall bear joint responsibility.

The party shall be released from responsibility defined herewith if it has been bona fide, i.e. did not know or could not know that the bank would bear losses by the signing of the transaction.

3. The requirements for signing the concerned party's transactions defined in Articles from 39³ to 39⁶ shall not be applied if:

- a. all shareholders have the preemption right;
- b. there is conversion of other convertible securities to shares;
- c. bank acquires share in the statutory fund if all holders of the respective type of shares (equity, stakes) have equal rights to sell their shares (equity, stakes) of the respective type pro rata.

4. Disregard of this Article shall result in nullity of the transaction.

(Article 39⁶ amended AL-227-N, 15.11.05)

Article 39⁷. Procedure for Determination of Bank's Property Market Value

1. The property market value (including the value of shares and other securities) is considered the price at which the seller, that has necessary information about the property value and has no obligation to sell it, would agree to sell it and the buyer, that has all necessary information about the property value and has no obligation to buy it, would agree to acquire this property.

2. The property market value shall be determined by the decision of the Board, except for cases envisaged by the law when the market value is determined by court, other body or party.

If a Board member is a concerned party of one or more transactions, which require the determination of property market value, the property market value shall be determined by the decision of other Board members holding no concern in the respective transaction.

3. The bank may apply to an independent valuator for determination of property market value by the decision of the Board.

4. The determination of property market value is obligatory if the bank shareholders repurchase their share in the statutory fund of the bank as defined in paragraph 6 of Article 36 of this Law.

5. If it is necessary to determine the market value of bank's shares or other securities, the information about the prices for acquisition of such shares, about the prices for their demand and supply published timely in mass media shall be taken into consideration.

If the market value of ordinary shares of the bank is determined, it is necessary to take into consideration net assets value of the bank (core capital value), as well as the price which the buyer that has all information about bank's property is ready to pay for all allocated ordinary shares of the bank, as well as the factors that will be considered important by the body (party) that is determining the bank's property market value.

The determined herewith market value of ordinary shares cannot be smaller than the price calculated on the basis of net assets value (core capital value) of the bank.

(Article 39⁷ amended AL-227-N, 15.11.05)

Article 40. Prevention of Circulation of Proceeds from Crime

(Article 40 repealed AL-23-N, 14.12.04)

Article 41. Limitations on Banking Activities

For the purpose of restraining the risk factor of the banking activities the Central Bank may provide for limitations on or special rules of procedure for the bank's lending, deposit, financial operations, and certain types of investments.

(Article 41 amended AL-253, 23.10.01)

Article 42. Prohibition on Limitation of Free Competition between the Banks

Banks shall be prohibited from signing contracts that may be directed at or result in limitation of the free economic competition between the banks, or in the result of which the bank, parties related to or cooperating with it achieve dominant position in the banking market of the Republic of Armenia that gives them the opportunity to predetermine the market value and conditions of activities and operations or even only one of those provided in Article 34 of this Law. This limitation shall not apply to the bank that has the opportunity of predetermining the market value of the activities or an operation defined herewith by the virtue of the fact that it is the sole provider of the respective activity or the operation.

Article 42¹. Programs of Prospective Development of the Bank

Banks shall present to the Central Bank their prospective development plans in the form, at the frequency and under the procedure determined by the Central Bank.

(Article 41¹ amended AL-253, 23.10.01)

Article 43. Information and Publication

1. Banks shall publish constantly on their home page on Internet the information, as follows:

- a. the financial statements of the bank (at least the last annual report and the last quarterly statement) and the copy of internal audit report on their statements. Furthermore, the banks also publish their financial statements in press on term defined in Article 59 of this Law, as well as publish in leaflets or in other available forms for general public (in head office, branches and representative offices);
- b. the announcement of convening the annual General Assembly on term specified by law. Furthermore, banks shall publish the announcement on convening the annual General Assembly also in press;
- c. the copies of decisions about payment of dividends, as well as copies of normative acts determining the bank's dividend policy if available;
- d. the information about shareholders holding qualified holding in the bank, i.e. their name, the size of their share (except for those shareholders holding indirect qualified holding in the bank that do not hold share in the bank's statutory fund, i.e. shares, equity or stakes), data on loans and other borrowings provided to them and to their affiliates (including the repaid) during the previous year, including the amount, interest rate and maturity;
- e. the list of Board members, members of executive body and their personal data, i.e. name, date of birth, biography, amount of remuneration paid to bank's Board members, chief executive officer and chief accountant for the previous year by the bank (including bonuses, payment for certain work executed for the bank, salary equal payments), data on loans and other borrowings provided to them and their affiliates (including the repaid), including the amount, interest rate and maturity.

Except for data specified in sub-paragraphs (a)-(e) of this paragraph the Central Bank can require of the bank to publish on the bank's home page on Internet, in press or other mass media other information according to periodicity and the procedure determined by

the Board of the Central Bank, except for commercial, banking or other secret information. This explanation does not apply to information, specified in part 4 of Article 6 of the RA law "On Bank secrecy".

Banks shall publish changes in data specified in sub-paragraph (a)-(e) of this paragraph within 10 days after their origination.

Banks shall also publish on their home page on Internet their financial statements, in leaflets or in other available forms for general public (in head office, branches and representative offices) updated on daily basis information about acceptance of deposits, provision of loans, as well as about rendering of other services and carrying out financial operation for their customers, including interest rates, commissions, maturity and other essential terms.

2. Upon request of any party the bank shall also provide:
 - a. copy of state registration certificate and copy of the bank's charter;
 - b. copy of announcement about shares issuing - in case of public subscription of shares;
 - c. data according to the rules and procedure determined by the Armenian Law on Regulation of the Securities Market and other normative acts based on it - in case of public allocation of shares and other securities issued by bank;
 - d. data and copies of documents defined in paragraph 1 of this Article.

The payment for provision of data hereinabove shall not be more than the actual expenses for data origination and/or posting.

In the head office of the bank, branch or representative offices the bank shall duly display the announcement about availability of information defined herewith, and about the procedure, place and time of receiving of information.

3. The Board of the Central Bank can determine the procedure of publication (provision) of data specified in paragraph 1 and 2 of this Article.

4. Each shareholder of the bank has the right to receive the latest annual report of the bank and the copy of auditor's report free of charge.

On request of any shareholder (shareholders) holding 2 and more percent of the bank allocated voting shares (equity, stakes) the bank provide the information free of charge (even if it comprises bank, commercial or other secret) as follows:

- a. information about the Board of the bank, chief executive officer and chief accountant as defined in paragraph 5 of this Article;
- b. the amount of remuneration paid to bank's Board members, chief executive officer and chief accountant for the previous year by the bank (including bonuses, payment for certain work executed for the bank, salary equal payments); data on loans and other borrowings provided to them and to the affiliates (including the repaid), including the amount, interest rate and maturity; information about shareholders holding qualified holding in the bank, i.e. their name, the size of their share (except for those shareholders holding indirect qualified holding in the bank that do not hold share in the bank's statutory fund, i.e. shares, equity or stakes), data on loans and other borrowings provided to them and to the affiliates (including the repaid) during the previous year, including the amount, interest rate and maturity;
- c. information about major transactions signed between the bank and bank affiliates, as well as about those transactions that have been signed within two years before presenting the request for getting that information and are related to execution of any of the operations defined in sub-paragraphs (a)-(c), (i), (j) and (k) of paragraph 1 of Article 34 of this Law;
- d. obligations assumed by the bank to its affiliates;

- e. information about availability of contracts aimed at creation of groups of bank shareholders executing the same policy, as well as the names of bank shareholders as the party of those contracts;
- f. copies of documents certifying the bank's rights of property reflected in the bank's balance sheet, by-laws adopted by General Assembly and other management bodies, charters of separated subdivisions and offices, financial and statistical reports that bank renders to public management bodies, minutes of sessions of General Assembly, Board and directorate, copies of inspections reports carried out by the Central Bank, copies of decisions of the Central Bank about sanctions to the bank and/or bank's manager imposed by the Central Bank, copies of internal audit reports presented to the Board and chief executive officer (directorate);
- g. list of legal entities in statutory fund of which the bank managers or its affiliates hold 20 and more percent of share or have probability to influence their decisions.

The minutes of the returning Board shall be provided to all bank shareholders.

According to this Article information received by the shareholder cannot be transferred to other parties, as well as it cannot be used for the purpose of discrediting bank's business reputation, for infringement of rights and legal interests of bank shareholders and customers, or for other similar purposes. Otherwise they bear responsibility according to Armenian laws and other normative acts.

5. Information about Board members, chief executive officer, chief accountant, as well as about candidates for Board members provided to bank shareholders shall also include:

- a. their surnames, names, year month, day of birth;
- b. profession and education;
- c. positions held during last 10 years;
- d. year, month, day of designation (election) and year, month, day of relieve of his position;
- e. number of reelections in the same position;
- f. number of voting shares (equity, stakes) held by as Board member, chief executive officer, chief accountant or candidate for Board member that are bank shareholders;
- g. information about legal entities where the respective person holds executive position;
- h. type of interrelations between the respective bank and its affiliates;
- i. other data envisaged by Charter.

6. Banks have no rights to use disorienting data in their advertisements, public offers, or in any announcement on their behalf, or use the announcements of other parties about the bank that can cause misunderstanding about performance of the respective bank, its position in the financial market, business reputation and its real status.

7. Information published or provided by bank according to this Article shall be complete and accurate.

8. The Central Bank shall collect quarterly information, published by banks about deposits with them, extended loans, as well as other services provided by them, and publish it without any changes - by banks for each quarter.

(Article 43 amended AL-253, 23.10.01; AL-227-N, 15.11.05, AL-113-N, 04.04.07)

CHAPTER 5

PRUDENTIAL AND OTHER STANDARDS OF BANKING

Article 44. Prudential Standards Established for Banks

1. The Central Bank may establish prudential standards of banking, as follows:
 - a. the minimum statutory fund and the total capital of the bank;
 - b. the total capital adequacy standards;
 - c. the bank liquidity standards;
 - d. the maximum risk (risks) on a single borrower, on major borrowers;
 - e. the maximum risk (risks) on bank parties (party);
 - f. the maximum risk on bank creditors;
 - g. the minimum reserve requirement with the Central Bank;
 - h. the foreign currency disposition standard.
2. The prudential standards shall be mandatory and similar for all the banks operating in the Republic of Armenia under identical licenses, except for the prudential standards of the minimum total capital provided in sub-paragraph (a) of paragraph one of this Article in cases of establishing banks and other cases provided by law.
3. The Central Bank shall establish the limits, calculation procedure and components included in the calculation of prudential standards.
4. The Central Bank may set tighter prudential standards for a separate bank than for other banks if the survey estimation of the bank is below the criteria of the Central Bank, or the financial indicators of the bank have deteriorated, or the bank executes its activities in high risky fields.

(Article 44 amended AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 45. Total Capital of Bank

1. The total capital of the bank is the sum of the core (primary) and additional (secondary) capitals of the bank.
2. The components of the core (primary) capital are the statutory fund, undistributed profit and other components set by the Central Bank.
3. The components of the additional (secondary) capital shall be set by the Central Bank. For the purpose of calculation of the prudential standards the Central Bank may limit the share of the additional capital in the calculation of the total capital.

(Article 45 amended AL-253, 23.10.01)

Article 46. The Minimum Statutory Capital and the Total Capital of the Bank

1. The Central Bank may establish the minimum size of the statutory and the total capital of the bank in a certain amount. The Central Bank may review the established minimum statutory capital and the total capital but no often than once a year.
2. Along with the reviewing the minimum sizes of statutory fund or the total capital of the bank the Central Bank shall establish the period within which banks replenish the reviewed minimum statutory fund or total capital. Furthermore, the set period cannot be less than two years.
3. The Central Bank may establish a diverse size of the total capital for the newly established banks in a certain amount. The Central Bank may review the established

minimum size for the total capital of the newly established banks but no often than once a year. The prudential standard of the minimum size for the total capital of the newly established bank shall enter into force on the day of its adoption.

(Article 46 amended AL-253, 23.10.01)

Article 47. The Capital Adequacy Standards

The total capital adequacy standards are as follows:

- a. the minimum ratio of the total capital to risk weighed assets;
- b. the minimum ratio of the core capital to risk weighed assets.

Article 48. The Liquidity Standards

The banks' liquidity general standards are as follows:

- a. the minimum ratio of high liquid assets to total assets of the bank (general liquidity);
- b. the minimum ratio of high liquid assets to demand liabilities of the bank (current liquidity).

Article 49. The Maximum Risk (Risks) on a Single Borrower, on Major Borrowers

The maximum risk on a single borrower shall be defined as the maximum ratio of the amount of the loans provided to a single borrower or its affiliates, including crediting of bank account, all other borrowings, factoring and lease, pre-payments and advanced payments, payments for services or goods provided by the bank, letters of credit, investments in securities issued by one borrower and its affiliates, as well as other any receivables in respect of the bank, bank guarantees against liabilities, ratio of the amount of other liabilities set by the Board of the Central Bank to the total capital of the bank.

The maximum risk on major borrowers shall be set as defined in paragraph 1 of this Article. Major borrowers shall be determined by the decision of the Board of the Central Bank.

(Article 49 amended AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 50. The Maximum Risk (Risks) on Bank Affiliates (Affiliate)

The maximum risk on bank affiliates shall be defined as the maximum ratio of the amount of the loans provided to bank affiliates, including crediting of bank account, all other borrowings, factoring and lease, pre-payments and advanced payments, payments for services or goods provided by the bank, letters of credit, investments in securities issued by one borrower and its affiliates, as well as other any receivables in respect of the bank, bank guarantees against liabilities of bank affiliates, ratio of the amount of other liabilities set by the Board of the Central Bank to the total capital of the bank.

The maximum risk on a bank affiliates shall be defined as defined in paragraph 1 of this Article.

(Article 50 amended AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 51. The Minimum Reserve Requirement

The minimum reserve requirement with the Central Bank shall be established in accordance with the Armenian Law on the Central Bank of the Republic of Armenia. The decision of the Board of the Central Bank to toughen the minimum reserve requirement shall enter into force on the day of its adoption, unless otherwise specified.

(Article 51 amended AL-253, 23.10.01)

Article 52. The Foreign Currency Disposition Standard

The foreign currency position coefficient in the banks and the branches of foreign banks shall be established in accordance with the Armenian Law on the Central Bank of the Republic of Armenia.

Article 53. Entering into Force of Prudential Standards

1. If toughens the prudential standards they shall enter into force in six month after their adoption, unless otherwise provided by this Law.
2. If the Central Bank eases the prudential standards they shall enter into force upon their adoption.

Article 54. Special Prudential Standards

1. For ensuring the stability of the banking system, the Central Bank may establish in exclusive cases special prudential standards effective for six months.
2. The Central Bank shall put the special prudential standards into effect for a period that would allow banks to comply with the prudential standards established.

CHAPTER 6

REGISTRATION, STATEMENTS AND CONTROL

Article 55. Financial Statements

1. The banks and the branches of foreign banks shall prepare, publish and present to the Central Bank annual and quarterly financial and other statements. The Central Bank may establish a diverse frequency for filing of the statements.
2. The Central Bank shall establish the forms, procedure and the term for the statements subject to filing to the Central Bank, taking into consideration existing international standards.
3. Not rare than once a year each bank shall submit to the Central Bank statements in forms, cases, procedure and on term set by the Central Bank, as follows:
 - a. financial statements of legal entities, holding qualified holding in bank's statutory fund, data on the managers of these legal entities and the parties holding qualified holding;
 - b. financial statements of legal entities related with parties holding qualified holding in bank's statutory fund, data on the managers of these related legal entities and parties holding qualified holding;
 - c. statements of parties holding qualified holding in bank's statutory fund that no other party has acquired the indirect status of a qualified shareholder of the bank through their share. Otherwise in order to receive the preliminary consent of the Central Bank the bank shall, within 10 day-period upon the day of acquisition of indirect qualified holding by that party, submit to the Central Bank the required documents concerning the parties holding indirect qualified holding, as well as documents concerning those legal entities (including their name, location, financial statements, data on the manager, data on parties holding qualified holding), where the party that holds qualified holding in the bank is holding a qualified holding.

The parties holding qualified holding in the statutory fund of the bank are responsible for filing of the statements and data defined by this paragraph to the Central Bank.

4. The statements and data subject to filing to the Central Bank shall be complete and accurate.

(Article 55 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 56. Accounting in Banks

Banks shall implement accounting under the procedure agreed to by the Central Bank and the authorized governmental body of the Republic of Armenia, in accordance with the accounting standards of the Republic of Armenia.

(Article 56 amended AL-253, 2.10.01)

Article 57. Supervision of banks

1. The Central Bank has the exclusive right of supervising banks. The Central Bank executes the supervision in accordance with principles set in chapter 5¹ of the Law on *the Central Bank of the Republic of Armenia*.

2. *(Point 2 repealed AL-46-N, 03.03.04)*

3. All banks and branches shall accept and assist employees of the Central Bank. No person may interfere with supervision and checks of the employees of the Central Bank..

4. The Central Bank may disclose such information on the findings of the examination of the given bank to a relevant state authority having the exclusive right to supervise the banks of another country, national bank or any other agency, which is necessary for them to supervise the regional branch of any Armenian bank, operating in its territory or issuing authorization for establishment of a regional branch in its territory, in the manner, set under the international agreement, concluded between the Central Bank and the relevant state authority of the particular foreign country with the exclusive right to implement the supervision of the banks of the given country. The Central Bank may provide the information, specified under this Paragraph even in case the said information represents banking or other secret.

5. The procedures for formation and utilization of the reserve for the potential investment losses in the investment securities of the banks, classification of loans and receivables and formation of reserves for potential losses shall be defined by the authorized body of the RA Government jointly with the Central Bank.

6. If during licensing process or acquisition of qualified holding the Central Bank receives inaccurate, false or incomplete data, or the bank or significant participants of the bank violate provisions of Article 55.3 of this Law, or during inspection of the bank essential information about deterioration of performance of bank's related persons (in case if related person is a legal entity, deterioration of performance of its affiliates as well) is identified which may negatively affect performance of the bank or endanger interests of bank's depositors or creditors, the Central Bank is entitled to:

- a. request that significant participants of the bank sell his investments or other claim rights over the bank by force of which it can influence activity of the bank by the reason and deteriorate performance of the bank;
- b. apply any of sanctions over the bank as set forth in Article 61 of this Law.

If the request set forth in sub-paragraph (a) hereof, is not duly obeyed, significant participant of the bank shall be promptly deprived of his voting right and may not receive dividends, or become a board member without election, or appoint his representative as a board member, until the failures indicated by the Central Bank are cured.

If an indirect significant participant does not receive preliminary consent of the Central Bank as defined in sub-point (b) of Article 55, the significant through which it acquired indirect significant equity interest shall sell its interest in the bank within the period defined by the Central Bank.

(Article 57 amended AL-253, 23.10.01; AL-46-N, 03.03.04; AL-227-N, 15.11.05)

Article 58. External Audit of Bank

1. In order to control performance, each year the bank shall contract an independent auditing firm authorized to perform audit (hereinafter – external auditor as defined by applicable law. General assembly of the bank shall appoint the independent auditing firm according to the procedure established by the Central Bank. The board of the bank shall define the amount of payment for the external auditor's service.

Furthermore, the auditing firm audit bank's performance upon request of the bank participants holding at least 5 percent of bank's voting stock (equity, shares). In such case, the requesting participants shall choose the auditing firm, sign contract with it, and pay for rendered services. The requesting participants may claim a refund from the bank if, by subject to the decision of the general assembly, the request for audit has been justified.

The external audit may be also requested by the bank board at bank's expense.

2. Subject to the contract, the external auditor shall give auditor conclusion and provide auditor report. Furthermore, according to the contract, the auditor shall check accuracy of the bank's statement submitted to the Central Bank.

If the external auditor identifies significance evidence deterioration of bank's performance, or deficiencies in the internal structure (including the system of internal control) of the bank, it shall promptly notify the Central Bank thereof.

3. The Central Bank may oblige the banks to invite an independent auditing company within four months, and to publish its auditing statement.

The Central bank may oblige the bank to replace the external auditor.

4. Statement of the independent auditor shall be submitted to the Central Bank within by May 1 of the year following the financial year.

5. Upon the request of the Central Bank the independent auditor shall be obliged to present to the CBA all the necessary documents regarding the audit of the bank irrespective whether they represent any commercial, bank or other secrets. In case of default of the obligations, specified under this paragraph, the auditor shall carry a liability in the manner defined by the legislation of the Republic of Armenia.

(Article 58 amended AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 59. Publication of auditing statement and financial report

1. Banks shall publish in the newspapers summary of the balance sheet and auditing statement, and annual report within six months after the end of the financial year.

2. Banks shall publish quarterly reports after each quarter, before the 15-th of the following month.

(Article 59 amended AL-46-N, 03.03.04; AL-227-N, 15.11.05)

CHAPTER 7

INFRINGEMENT OF LEGISLATION AND APPLICABLE SANCTIONS

Article 60. Infringement of Legislation

The Central Bank may apply sanctions towards banks if:

- a. the statutory capital or other components of the total capital have been replenished with infringement of law and other regulations;

- b. the requirements of this Law, other laws regulating banking activity and other legal acts adopted based on them are violated;
- c. the charter of the bank's branch is changed and supplemented with the violations of the laws and other legal acts;
- d. the main economic standards of the bank's performance are violated, or in the opinion of the Central Bank, the bank has undertaken such actions (activity), which may risk the interests of the depositors or the creditors of the bank;
- e. the regulations on the maintenance of accounting are violated, as well as the procedure and the conditions for the presentation and publication of the financial statements, and (or) those documents reflect false or unreliable information;;
- f. the bank failed to fulfill the directive issued by the Central Bank in the manner, set by this Law;
- g. the CAMELS rating of the bank is below the scale, defined by the Central Bank for the banks' rating;
- h. the bank has failed to pay-in the guarantee fees to the deposit insurance fund under the law on *Guarantee of Remuneration of Household Bank Deposits*;
- i. grounds specified in point of Article 57.6 of this Law exist.

(Article 60 amended AL-253, 23.10.01; AL-148-N, 24.11.04; AL-227-N, 15.11.05)

Article 60¹. Responsibility of Bank Managers

1. The bank managers shall perform their duties in terms of benefits of the bank, and exercise their powers and duties towards the bank bona fide.

If the statements submitted to the bank board reflect violations of law, other normative acts and bank's internal regulations, the board shall take measures to cure the violations and prevent them in future.

2. The managers of the bank shall carry liability for losses that have been inflicted to the bank due to their premeditated action (inaction) according to the Armenian legislation. If more than one manager has inflicted losses to the bank, they shall bear joint responsibility. The managers who have voted against the loss inflicting or have not participated in the respective session shall not carry liability for the inflicted losses. The responsibility of managers include but is not limited to the following:

- a. the executive director shall bear the responsibility to cover of real losses on provision of loans provided with infringement of standards for one borrower, for major borrowers, for bank related parties or losses originated from other transactions, and if the law requires a decision of the board for such transaction – the responsibility shall bear the members of the board and the executive director;
- b. the members of executive body shall cover the bank real losses on the transactions that have been signed with the infringement of internal regulations determined by the board;
- c. if there were detected infringements of law, of normative regulations and internal regulations of the bank in the statements submitted to the bank board, and the bank have borne losses due to it later on, the board members bear joint responsibility, except for the member of the board who has taken efficient and sensible measures within his competency to prevent the infringements;
- d. if information about the infringement of the law, regulations revealed by the inspections of the internal audit were not submitted to the board of the bank and the bank have borne losses due to it later on, the head of internal audit shall cover those real losses;
- e. if the transaction with the bank related party has been signed based on positive opinion submitted to the board of the bank with infringement of internal procedure

of the bank, the executive director shall carry liability and cover the real losses originated from that transaction.

3. The party shall be released from responsibility to cover losses of the bank if he has acted bona fide with firm conviction that his actions rested upon the interests of the bank. In particular:

- a. if decisions have been made resting upon sober-minded logic, even if later on these decisions inflicted losses that have been considered as business risk while adopting those decisions;
- b. if the manager has adopted wrong or imperfect decisions being bona fide without intention to inflict losses and if the adoption of such decisions has not infringed the law or other regulations.

The release of bank managers from their duties shall not release them from the responsibility for losses inflicted through their fault.

4. The bank or bank participant (participants) holding (jointly) 1 and more percent of bank's ordinary shares (equity interest in bank's statutory fund) shall have the right to bring a suit against bank managers for covering the losses of the bank.

(Article 60¹ added AL-227-N, 15.11.05)

Article 61. Penalties for violations of laws

1. In the cases, specified in Article 60 of this Law the CBA may apply the following sanctions towards banks:

- a. the warning and directive on elimination of violations;
- b. fine;
- c. deprivation of the bank manager's qualification certificate;
- d. recognition of the license as ineffective.

2. The application of sanctions specified in this Article shall not release the banks and the bank managers from the liability set by the laws, other legal acts and contracts.

3. For each violation of legislation the Central Bank may simultaneously issue a warning to the bank and (or) the bank management (except for the board members) along with the directive on eliminating the violations, and (or) a fine to the bank or the bank manager, and (or) deprivation of the qualification certificate of the bank managers.

(Article 61 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 62. Warning and instruction to eliminate the violations

1. Warning is issued as a statement on the violation to notify the violating bank on the violation.

2. Warning is also an instruction on elimination and/or taking measures on preventing such violations in future, within the period set by the Central Bank and/or termination of certain transactions, operations concluded by the bank, modification of their terms the violation. The instruction is mandatory for the warned bank.

3. Warning as a punitive measure may be applied if any of the provisions, defined in Article 60 are evident.

(Article 62 amended AL-253, 23.10.01)

Article 63. Fines

1. Fine is imposed upon the appeal of the Central Bank, by the decision of the Court if the bank disagrees on the imposition of the fine or its size. The amount is withdrawn from the correspondent account in favor of the state budget.

2. Fine as a punitive measure may be imposed if any of the provisions defined in Article 57 are evident.

3. The size of the fine imposed for each violation is set by the Central Bank:
 - a. fine imposed for every violation of banking norms, or for the delay in submission of reports to the Central Bank may not exceed 5% of minimum statutory fund, set by the Central Bank. This provision does not apply on the violations of mandatory reserves;
 - b. fine imposed for any other violation of banking legislation may not exceed 1% of minimum statutory fund set by the bank.
4. The size of the fine shall not lead to law performance of the bank.
5. The Central Bank may assign a fine to the bank managers (except for the board members) in the amount not exceeding the 1000-fold size of the minimum salary in cases when the institution exposes itself to unjustified risks, violates the core economic normative of the maximum risk amount related to the per borrower maximum risk amount or the maximum risk amount of the bank affiliate at the moment of issue, files the statements with delay or reflects unreliable information in the statements, hinders the examinations of the Central Bank or fails to perform the directives by the Central Bank in the manner, set in this Law. The fine shall be charged by the court decision, upon the claim of the CBA, when the bank manager objects to the fine or its size. The fines, imposed on the said persons shall be charged from their personal resources to the state budget.

(Article 63 amended AL-253, 23.10.01; AL-227-N, 15.11.05; AL-127-N, 17.06.08)

Article 64. Deprivation of Bank Managers of the Qualification Certificate

1. The bank managers shall be deprived of the qualification certificate upon the decision of CBA in case:
 - a. they have intentionally violated the laws and other legal acts;
 - b. have conducted unjustified and dangerous activity during his/her office term, have hindered the Central Bank, the activities of its employees in the execution of supervision;
 - c. have carried out such activities, as a result of which the bank has undergone or may undergo significant financial or other losses;
 - d. bank managers have undertaken actions evolving from his/her personal interests which are in conflict with the interests of the bank or its customers;
 - e. bank managers have discharged his/her responsibilities in a dishonest and negligent manner, including the trusteeship obligations assumed towards the bank and bank's customers;
 - f. bank managers do not meet the qualification requirements, set by the CBA;
 - g. they have not performed the directive of the Central Bank or have failed to follow the warning of the Central Bank.
2. Since the moment the decision of the Central Bank on deprivation of the bank manager of the qualification certificate comes into force, the authorities of the given person, issued to the latter under the legislation of the Republic of Armenia, the Bank Charter and other internal documents shall be terminated.

(Article 64 amended AL-253, 23.10.01)

Article 65. Withdrawal of license

1. License shall be withdrawn if:
 - a. provisions of this law, other banking laws and by-laws have been violated,;
 - b. bank did not operate within one year after obtaining license;
 - c. bank did not eliminate the violations, as instructed by the Central Bank, within terms set by the Central Bank;

d. bank seized to function.

2. Banking license is withdrawn upon the CBA decision. The Bank's license on banking shall be recognized as ineffective exclusively in the manner defined by this law. In the event there are other provisions on the recognition of the license as ineffective by other laws the provisions of this law shall prevail.

3. License shall be withdrawn from branches of foreign banks also if the foreign bank is deprived of right to undertake banking activities in the country of its registration, or operation.

(Article 65 amended AL-253, 23.10.01)

Article 66. Publication of the resolution on license withdrawal and legal consequences

1. The resolution of the Central Bank on withdrawal of license, as in accordance with Article 65, shall be published immediately. The resolution goes in effect from the day of publication, unless other terms are envisaged in the decision.

2. From the moment the resolution on license withdrawal becomes effective, the bank may not perform banking activities, except the activities on covering the liabilities, sale of funds and their final allocation and shall be liquidated in the manner defined by law.

3. Copy of the resolution on withdrawal of license with the explanatory note on the reasons shall be submitted to the bank or branch of a foreign bank within three days. The appeal of the decision of the CBA Board on the recognition of the license of the banking of the bank as ineffective to the court shall not suspend the effectiveness of that decision during the whole process of the court examination.

(Article 66 amended AL-253, 23.10.01)

CHAPTER 8

REORGANIZATION OF BANKS

Article 67. Reorganization of Banks

1. A bank may be reorganized into a bank through the merging with another bank and re-structuring of the bank.

2. The re-structuring of the bank (change of its organizational-legal status) shall be carried out in the manner set by the RA Civil Code and other laws.

3. The merging of the banks shall be executed in the manner set by this Chapter.

(Article 67 edited AL-253, 23.10.01)

Article 68. Bank Merging Procedure

1. In case of merging of one or several banks into another bank the merger banks shall conclude a contract on merging, upon the prior approval of the Central Bank.

2. In order to receive the prior approval on concluding a contract on merging, the bank shall, in the manner, procedure and terms defined by the Central Bank, present to the Central Bank the essential conditions, the relevant documents and information on the transaction as defined by the Central Bank.

3. The CBA Board shall take a decision on the prior approval or rejection prescribed in Paragraph 1 of this Article within a one-month period following the receipt of the essential conditions, the relevant documents and information on the respective transaction specified in Paragraph 2 of this Article. In case the CBA Board fails to take any decision within the

term, specified in this Paragraph, the decision of the CBA Board shall be automatically considered adopted.

4. The CBA Board may refuse to approve the contract on merging in the following cases:

- a. the process of re-organization of bank(s) or submitted documents do not comply with the legislation of the Republic of Armenia; the required documents have not been filed in the proper manner and format or are incomplete;
- b. the financial state of the merger-bank will be put at an essential risk;
- c. as a result of merging the bank's financial state will be gaining predominating or monopolistic position in the banking market;
- d. interests of any of depositors and other creditors of any of the parties of the transaction will be exposed to risks.

5. Within one month after receiving the consent of the Central Bank the merging banks along with their letter of request shall present to the approval of the Board of the Central Bank the merger agreement, and other documents determined by the Central Bank. The Board of the Central Bank approves and registers the merger agreement within a two-week period after receiving it, if the contract complies with the conditions of the granted consent.

(Article 68 edited AL-253, 23.10.01)

Article 69. Legal Consequences of Bank Merging

1. The banks having decided on merging within the terms, specified in the contract on merging, shall take all the initiatives under the contract on merging, approve the statement on transfer and file it with the CBA for registration together with the charter of the successor

2. Since the moment of filing the charter of the successor bank or its amendments and supplements with the CBA a record shall be made in the banks registry log on termination of the activity of the merged bank. The successor bank shall be recognized as reorganized from the moment of recording the termination of the merged bank specified in this Clause.

(Article 69 edited AL-253, 23.10.01)

Article 70. Merger of Affiliated Bank with Mother Bank

(Article repealed AL-253, 23.10.01)

Article 71. Legal Effect of Merger

(Article 71 repealed AL-25, 23.10.01)

(Chapter 8 repealed AL-253, 23.10.01)

CHAPTER 9

LIQUIDATION OF BANKS

Article 72. Reasons for liquidation

1. The bank shall be liquidated:
The bank shall be liquidated in these cases of:
- a. Revocation of license;

- b. Withdrawal of license;
- c. All cases specified in the Law of the Republic of Armenia “On the Bankruptcy of Banks, credit organizations, investment companies, investment fund managers and insurance companies”;
- d. Self-liquidation of banks;
- e. Other grounds stipulated by Laws.

2. In the cases defined by sub-Paragraph “c” of Paragraph 1 of this Article banks shall be liquidated in the manner set by the RoA Law “On the Bankruptcy of Banks, credit organizations, investment companies, investment fund managers and insurance companies.”

(Article 72 amended AL-253, 23.10.01; AL-227N, 15.11.05, AL-184-N, 09.04.07; AL-199-N, 11.10.07, amended, AL-255-N)

Article 73. Liquidation of Bank by the Decision of General Assembly

1. The general assembly is entitled to adopt the decision about liquidation of the bank if bank does not have any liabilities to its depositors, holders of bank accounts, and creditors.

2. In order to receive the preliminary consent of the Central Bank for liquidation of the bank by the decision of its general assembly, the bank shall submit to the Central Bank the application with the attached explanatory documents. The list of the explanatory documents shall be determined by the Central Bank.

The Board of the Central Bank shall consider the application within three months and may reject it, if by the reasonable opinion of the Board the liquidation may lead to destabilization of the banking system of the Republic of Armenia. In such case the Board may prolong the term of bank’s activity for two years.

3. If the bank receives the preliminary consent of the Central Bank it may take measures for terminating liabilities of the bank towards depositors, holders of bank accounts, and creditors.

4. After termination of liabilities specified in paragraph 3 of this Article, decision about liquidation may be taken only by the general assembly. Upon adoption of the decision herewith the bank shall submit to the Central Bank application for receiving consent to liquidation along with the documents substantiating liquidation. The list of documents herewith shall be determined by the Central Bank.

The Board of the Central Bank may reject the application for receiving consent to liquidation if the bank has liabilities to its depositors, holders of bank accounts, and creditors, or if the bank is not able to satisfy claims of its creditors.

5. The Central Bank may perform inspections in the bank that has adopted a decision about liquidation according to the Armenian law on *The Central Bank of the Republic of Armenia* in order to check the existence of grounds for rejection of the submitted applications set forth in points 2 or 4 of this Article.

6. If the Central Bank agrees with the liquidation, it shall take a decision on revoking the bank’s license.

7. The procedure of opening and closure of the bank’s correspondent accounts shall be defined by the Central Bank pursuant to the decision of the general assembly.

(Article 73 amended AL-227-N, 15.11.05)

Article 74. Liquidation Committee

1. The bank’s Liquidation Committee shall be created at least within 5 days following the relevant decision of the CBA Board or the court specified in Article 72 of this Law, in the manner, set by the bank charter for the purpose of liquidating the bank, transferring the

bank assets (property) and satisfying the legitimate claims of the bank creditors. It shall consist of at least three members. Only parties that possess relevant qualification of the Central Bank shall hold the position of the chairman of the Liquidation Committee or of its member. The executive director or the party with similar management authorities shall implement the functions of the Liquidation Committee till the Liquidation Committee is established, unless otherwise specified by the charter of the bank.

2. The Liquidation Committee shall assume the management authorities in the bank under liquidation upon its establishment.

3. Within three days following its creation, the liquidation committee shall place an announcement in the media and notify the Central Bank about the liquidation of the bank and the manner and terms of filing the claims of the creditors, which shall not be less than two months.

4. In case there is no Liquidation Committee established, the Liquidation Committee of the bank shall be established by decision of the Board of the Central Bank.

(Article 74 amended AL-253, 23.10.01; AL-227-N, 15.11.05; AL-105-N, 26.05.08)

Article 75. Liquidation Procedure. Measures Taken by Liquidation Committee

1. The managing bodies of the bank shall pass on to the Liquidation Committee the seal and stamp clichés of the bank, documentation, material and other assets of the bank within 3 days after the decision on recognizing the bank's bankruptcy and appointment of the Liquidation Committee.

Within three days upon the appointment of the Liquidation Committee its chairman shall apply to the authorized public body to add in the proprietary name of the bank (liquidating bank) words. The authorized public body shall make changes in the brand name of the bank under liquidation adding "bank under liquidation" words within three days upon receiving the application.

The Liquidation Committee shall change the seal, stamp cliché and letterheads of the bank adding the "liquidating bank" words within a reasonable period of time after changing the bank proprietary name as provided for by Article 75 (2) of this Law.

2. Throughout the demands' filing period established by article 74 of this Law the Liquidation Committee shall:

- a. take necessary measures directed at returning the property deposited with the bank to the rightful owners and completing relevant final settlements. The Liquidation Committee shall send notifications to the owners of the assets, indicating the term during which the owner may claim back the assets. That period shall not exceed one month. The owners of the property shall receive their property within one month after receiving the Liquidation Committee's notification. If the property owner does not claim for it within the set period of one month the Liquidation Committee shall deposit it, and signs the contract as provided for by law.
- b. accrue and assess the assets and liabilities of the bank under liquidation;
- c. takes necessary steps directed at identifying the bank's debtors and recovering the debts, establishes the procedure for premature collection of loans provided by the bank;
- d. take measures to dispose the assets of the bank under liquidation most efficiently;
- e. take measures to ensure the execution of obligations of the bank under liquidation;
- f. determine the procedure of assets distribution among bank participants after fulfillment of obligations.

3. The Liquidation Committee shall prepare, approve and publish in a print outlet with a minimum of 2,000 copies an interim liquidation balance sheet within one week after

completion of the period of presenting creditors' claims. The interim balance sheet shall include information on:

- a. The composition of assets of the liquidating bank,
- b. The list of creditors' claims, including: the total amount of claims to the bank and claims included in the bank's balance, the amount due to each deposit holder or creditor and the order of satisfaction established by article 75¹ of this Law, as well as a free-standing list of declined claims,
- c. The results of study of the claims,
- d. Other information requested by the Central Bank.

4. 7. The Liquidation Committee shall present to the Central Bank a copy of the print outlet that has published the interim liquidation balance as requested by paragraph 3 of this article on the day of publication. The Central Bank may oblige the Liquidation Committee to publish the interim liquidation balance in another print outlet with a minimum of 2,000 copies.

5. The Liquidation Committee shall satisfy the claims of the creditors in order established by article 75¹ of this Law, in line with the interim liquidation balance starting with the date of publication.

(Article 75 amended AL-227-N, 15.11.05; AL-105-N, 26.05.08; AL-141-N, 08.06.09)

Article 75¹. The Order of Claims' Satisfaction

1. The debts protected by collateral shall be paid on priority basis from the amounts secured from selling out the relevant collateral. If the indebtedness is larger than the revenue secured from selling out the relevant collateral, the claims on the remaining part shall be covered along with payments on claims of other creditors.

2. Bank's liabilities shall be covered from liquidation funds in the following priority order:

In the first place; Necessary and substantiated costs (including salaries) incurred by the administration and/or the Liquidation Committee in discharging powers vested in them by this Law, within the framework of the estimate approved by the Board of the Central Bank,

In the second place: Bank deposits and account balances of the citizens of the Republic of Armenia, foreign citizens as well as persons without citizenship. In cases when one person possesses more than one deposit (account) in the bank, all the deposits shall be merged and their aggregate amount considered as one deposit;

In the third place: Other liabilities of the bank, except for bank deposits and account balances not included in the fourth, fifth and sixth priority orders;

In the fourth place: Bank's liabilities towards the state and community budgets and other mandatory payments established by the legislation of the Republic of Armenia;

In the fifth place: Claims on subordinate borrowings;

In the six place: Claims of bank participants.

The claims of bank participants and bank-related parties, which satisfy the priority order set in subparagraphs second, third and fifth, shall make exception from the list of creditors' claims subject to be satisfied in priority orders, set in subparagraph six, as provided hereinabove.

The creditors of the same priority order have equal rights for satisfaction of their claims.

The claims of creditors within the same priority order shall be satisfied after complete satisfaction of claims within the previous priority order.

- 2.1 The creditor whose claims have been rejected or indefinitely postponed by the Liquidation Committee may choose to appeal the Liquidation Committee's actions before the approval of the liquidation balance. The decision of the court shall come into force upon publication without appeal. Meanwhile, the Court may suspend

satisfaction of the claims by the Liquidation Committee until the pronouncement of the court decision if the satisfaction process has reached the priority order contested by the creditor.

Satisfaction of claims presented after the deadline provided for by this Law shall be performed from funds left after full satisfaction of claims presented in due timeframe.

If the creditor, who have claimed and have been registered by the Liquidation Committee, does not present himself till the deadline of the period, announced via press or other mass media for satisfaction of claims of the given priority order, the funds or property of such creditor shall be transferred to notary deposit or to another custodian bank.

Before starting the process of satisfaction of claims of each priority order, the Liquidation Committee shall announce via press or other mass media about the place, procedure and timeframe of satisfaction. The main information in the announcement hereinabove, as well as amendments to it, shall come into force on the next day of publication.

The timeframe for satisfaction of claims of priority order set in subparagraph "c" shall not be less than 21 days. The missed timeframe for satisfaction of claims by any reason is not subject to be renewed.

3. Claims rejected by the Liquidation Committee and not contested by the creditor in court, as well as claims rejected by court decisions shall be considered remitted.

(Article 75¹ added AL-227-N, 15.11.05; AL-105-N, 26.0.08, edited, AL-57-N)

Article 76. Supervision over Bank under Liquidation. Report of Liquidation Committee

1. The Central Bank may perform inspections in the liquidating bank for supervision purposes.

2. The Liquidation Committee shall submit reports to the Central Bank according to the procedure, form, frequency and terms determined by the Central Bank.

3. The Liquidation Committee shall disseminate through media information about its actions according to the procedure, schedule and form determined by the Central Bank at least once in a month.

4. The Central Bank may request any information form the Liquidation Committee about its actions.

(Article 76 amended AL-227-N, 15.311.05)

Article 77. Approval of Liquidation Balance Sheet. Suspension of Liquidation Committee

1. After finishing settlements with the creditors, the Liquidation Committee shall prepare the liquidation balance sheet and file it to the Central Bank within three days after approval of the general assembly of the bank under liquidation.

2. The Central Bank shall approve or reject the liquidation balance within ten days, indicating grounds of rejection. The Central Bank shall reject the liquidation balance sheet if the Liquidation Committee has violated provisions of this Law.

3. If the Central Bank rejects the liquidation balance sheet, the Liquidation Committee shall cure failures indicated by the Central Bank and after approval of the general assembly of the bank, file to the Central Bank the new liquidation balance sheet.

4. Within three days upon approval of the liquidation balance sheet, a relevant entry on the liquidation shall be made in the banking log of the Central Bank. Thereinafter, the bank shall be deemed liquidated and its activity suspended. The Central Bank shall notify the agency in charge of registration of legal entities thereof.

5. Within three days upon approval of the liquidation balance sheet by the Central Bank, Liquidating committee shall issue a memorandum on liquidation of the bank as

defined by the Central Bank. After that the Liquidation Committee shall be released from liquidating obligations.

(Article 77 amended AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 78. Reimbursement of the Members of Liquidation Committee

The members of the Liquidation Committee shall be reimbursed from the funds of the liquidated bank.

Article 79. Responsibilities of the Members of Liquidation Committee

The members of the Liquidation Committee are responsible for violations and losses that occurred in the period of their performance and were caused by their actions, as in accordance with the legislation

The Board of the Central Bank may revoke the certificate of qualification of the chairman of the Liquidation Committee and/or of its members if they do not perform their duties determined by this law, other laws and regulations or if they perform their duties not duly. In such case, the general assembly of the bank shall appoint a new chairman or a member (members) within one week, otherwise the chairman of the Liquidation Committee or the member shall be appointed by the Board of the Central Bank.

The creditors, debtors of the bank and the Central Bank may appeal to court against actions of the Liquidation Committee.

(Article 79 amended AL-227-N, 15.11.05)

Article 80. Liquidation Assets of Banks

Claims of the creditors shall be covered from liquidation assets of banks, i.e. property (assets) under the proprietary right of the bank.

CHAPTER 10

TRANSITIONAL PROVISIONS

Article 81. Entering into Force. Transitional Provisions

1. This Law shall enter into force after 60 days from publication.
2. After this law goes into effect, the law "On Banks and Banking" as of 1993; Decree of the RA Supreme Council " Procedure on the execution of the laws "On the Central Bank", and "On Banks and Banking" are declared void, except clause "d" of Section 2. The latter shall become void after an adequate amendment is made in the RA law "On State Duties".
3. Operating banks (and their branches and representative offices) which were licensed before July 1, 1996 shall be considered as licensed, as in accordance with the provisions of this law.
4. Within a one-month period upon this Law enters into force the Central Bank shall:
 - a. review the decisions of the Central Bank and bring those into compliance with the requirements of this Law;
 - b. adopt the regulations provided for by this Law that are necessary for unimpeded implementation of this Law;

- c. define the procedure on punitive actions against the banks, as in accordance with this law.
5. Upon the date this Law enters into force the Government of the Republic of Armenia together with the Central Bank shall:
- submit to the National Assembly proposals on the magnitude and types of licensing fees within one month;
 - submit to the National Assembly draft laws "On the Amendments to the Criminal Code" and "On the Amendments in the Administrative Violations Code" within two months.
6. Existing norms and regulations stay in force until the amendments, as defined in this law, are made to the relevant laws and by-laws.
7. Banks operating in Armenia, irrespective of organizational structure shall reassess their fixed assets as in accordance with "The Company Law", before January 1, 1997.

*President of the Republic of Armenia,
LEVON TER-PETROSSYAN
June 30, 1996, Yerevan
AL-68*