REPUBLIC OF ARMENIA
LAW

Adopted December 22, 2010

ON FUNDED PENSIONS

CHAPTER 1

GENERAL PROVISIONS

The purpose of this Law is the creation of possibility to receive in the pension age pension incomes in addition to state pension for persons having made funded pension contributions during working activities in the Republic of Armenia by ensuring average direct link between amount of pension contributions and pensions to be received, as well as providing the opportunity for person making contribution to affect the amount of funded pensions by selecting, in accordance with this Law, the person who will manage cumulated funds and the management policy of such funds.

Article 1. Scope of Law

1. This Law shall define structure of mandatory pension component and voluntary pension component of the Republic of Armenia’s pension system (hereinafter funded component), management process of funded component and functions of state bodies involved in management, as well as functions of Registrar of participant, managers of pension fund, custodian of pension fund, account operator, natural persons entitled to join on mandatory or voluntary bases to mandatory funded pension component, rights and obligations of participants of funded component, administration of funded pension accounts and investment of funded pension assets, types of funded pensions and their payment, mechanisms of guaranteeing return of mandatory funded contributions made by participants, responsibility for violation of requirements of this Law, regulations adopted on the bases of this Law and other legal acts, as well as regulates other relations pertaining to the funded pensions.

Article 2. Definitions

1. Following definitions are used in this Law:

1) personalized record keeping: according to the Republic of Armenia Law “On Income Tax and personalized record keeping of mandatory pension contribution”;
2) sole proprietor: according to the Republic of Armenia Law “On Sole Proprietor”, except for sole entrepreneurs, who pay a license fee, as provided for in the Law of Republic of Armenia “On License Fee” and who are included in Lists 1 and 2 as annexed to the Law;
3) annuity: according to the Republic of Armenia Law “On Insurance and Insurance Activity”;
4) insurance company: according to the Republic of Armenia Law “On Insurance and Insurance Activity”;
5) **basic income:** salary and salary equivalents, income gained from entrepreneurial and notary activities, as well as from activities, taxed under the Law of Republic of Armenia “On Fixed Pays” and from activities taxed under the Law of Republic of Armenia “On License Fee”, specifically activities specified in List 7 as annexed to the Law (the list of payment of salary and salary equivalents is determined by the Government of the Republic of Armenia);

5.1) **Contractual income:** income gained from an employer for the work performed (service delivered) under the civil contracts (except for the income paid to sole entrepreneur and notary).

6) **guarantee fund:** fund established in accordance with this Law and guaranteeing return of mandatory funded contributions made by mandatory pension fund participants adjusted by annual inflation, whose disposition and management order and conditions are defined by the Republic of Armenia Government;

7) **self-employed person:** a pay worker engaged in activities not prohibited by law, a natural person who is non-individual entrepreneur and non-notary and who gains income under a contract (including a producer of agricultural product who gains income from sales of agricultural product, a payer of license fee as specified in List 1 annexed to the Law of the Republic of Armenia “On License Fees”, a person who gains income under a civil contract, a payer of license fee as individual entrepreneur, as specified in Lists 1 and 2 annexed to the Law of Republic of Armenia “On License Fees”);

8) **programmed payment:** amount provided to the participant in a defined manner and on a monthly bases from a redemption of pension fund shares available on pension account after the participant reached pension age;

9) **voluntary funded pension:** supplementary pension paid on the bases of voluntary funded pension scheme;

10) **voluntary funded pension scheme:** set of requirements and procedures defined by pension fund (pension fund manager), insurance company, or bank pursuant to this Law with the aim of providing voluntary funded pension, which shall include the order and terms of contributions, as well as conditions, order and term of calculation and payment of voluntary funded pensions;

11) **bridge account:** special treasury account opened with the Republic of Armenia Government financial sector state responsible body, where funded contributions made by participant of mandatory funded component are transferred with the aim of transferring it to the Registrar of Participants;

12) **pension secret:** any information in relation to participation in the mandatory or voluntary funded scheme, which was made available to the employer, the state authorized bodies, the Central Bank, the Register of Participants, the account operator, the pension fund manager, the custodian and guaranty fund manager about the participant’s pension account, contributions made for (in favor of) the participant commercial, insurance, banking or service related secret of the participant, as well as any other information which the participant intended to keep in confidence and the employer, the state authorized bodies, the Central Bank, the Register of Participants, the account operator, the pension fund manager, the custodian and guaranty fund manager were aware of or should have been aware of;

13) **pension (funded) account:** individual account opened with Registrar of Participants (mandatory funded component) or pension fund manager (voluntary funded component) where shares of pension fund belonging to participant are kept. Pension account of mandatory pension fund participant comprises information on quantity of mandatory pension
fund shares belonging to the pension fund participant, book value of such shares, funded
ccontributions made for (on behalf of) participant;
14) **pension age**: age entitling to age pension as defined by the Republic of Armenia Law
“On State Pensions”;
15) **pension fund**: according to the Republic of Armenia Law “On Investment Funds”;
16) **assets of pension fund**: total of funded contributions made on behalf (for) participants,
assets acquired by that contributions and incomes from managements of such assets;
17) **pension fund manager**: legal entity entitled to manage pension fund in accordance with
the Republic of Armenia Law “On Investment Funds”;
18) **Central Bank**: Central Bank of the Republic of Armenia;
19) **“Funded pension deposits” scheme**: voluntary funded pension scheme offered by
banks with the aim of providing voluntary funded pension, in which case payment to the
deposit accounts opened for participants are made in accordance with the funded pension
agreement; bank manages deposited fund at his own risk and shall pay single or recurring
pension from the principal amount and cumulated interests;
20) **funded contribution**: contribution made for (on behalf of) participant by participant or
other person (including State) with the aim of receiving mandatory or voluntary pension in
accordance with the rules defined by this Law;
21) **account operator**: organization defined by the Republic of Armenia Government which
intermediates services provided to participants by the Registrar of participants;
22) **main pension**: according to the Republic of Armenia Law “On State Pensions”;
23) **participant**: natural person who, according to this Law, mandatorily or voluntarily
joined to funded component, and acquires (acquired) pension fund shares with the aim of
receiving funded pension, entered into agreement with insurance company or entered into
funded pension deposit agreement with commercial bank or receives mandatory or voluntary
pension provided by this Law;
24) **Register of participants**: unified system of data on participants and shares of mandatory
pension funds belonging to them. All information available at the Register of participants is
the ownership of the State;
25) **Registrar of participants**: legal entity which on the basis of the agreement entered into
with the Republic of Armenia Government administers the Register of Participants, as well
as performs functions as defined by this Law and the agreement entered into with the
Republic of Armenia Government;
26) **Notary**: according to the Republic of Armenia Law “On Notary”;
27) **custodian**: person conducting custody of pension fund assets in accordance with the
Republic of Armenia Law “On Investment Funds”;
28) **mandatory funded pension**: pension paid to the participant within mandatory funded
component in accordance with rules defined by this Law;
29) **“Defined pensions” scheme**: voluntary funded pension scheme, in which case insurance
company promises the participant precise amount of pension, funded contributions depend
on agreement with insurance company and may be non-regular contributions, and the
amount of pension does not depend on the amount of paid contributions and profitability of
investments of such contributions;
30) **“Defined pension contribution” scheme**: voluntary funded pension scheme in which
case funded contributions made for participants are calculated in the amount of certain
percentage of their basic income or on other regular basis and the amount of pension
depends on paid funded contributions and the return on investment of such contributions;
31) **Public Service Number:** a number as defined by the Law of the Republic of Armenia “On Public Service Numbers”.

32) **Tax agent:** as per Law of the Republic of Armenia “On Taxes”.

33) **Hired employee:** a person engaged in employment relations with the employer (including employer exempt of tax agent’s capacity), including a person in public service (except persons in military service and equivalent capacity).

34) **Employer:** a legal person registered in State Registry of the Republic of Armenia, a foreign legal persons’ establishment, a foreign branch office or representation, individual entrepreneur, institution, local government as well as notary who uses civilian work (service) and pays income thereto accordingly under a civilian contract.

**Article 3. Legislation regulating funded component of pension system**

1. Funded component of Republic of Armenia’s pension system shall be regulated by Republic of Armenia Constitution, Republic of Armenia Civil Code, Republic of Armenia international agreements, this Law, regulations adopted on the bases of this Law, other Laws and regulations. Provisions of other Laws shall apply to relations regulated by this Law to the extent they do not contradict to this Law.

**Article 4. Funding sources of funded pensions**

1. Funded pensions shall be funded by contributions made for (on behalf of) participants and incomes from investments of contributions.

**CHAPTER 2**

**PARTICIPATION IN MANDATORY FUNDED COMPONENT**

**PROCEDURE OF COLLECTION OF MANDATORY FUNDED CONTRIBUTIONS**

**Article 5. Mandatory participants of mandatory funded component**

1. The following persons born on and after January 1, 1974 shall mandatorily participate in mandatory funded component:
   a) Hired employees,
   b) Notaries,
   c) Sole proprietors.
   Persons as referred to herewith shall pay pension contributions from contractual income as well, to the extent defined by this Law
2. Part 1 of this Article shall also apply to foreigners and persons having no citizenship born on and after January 1, 1974 who receive basic income according to the Republic of Armenia legislation.

**Article 6. Voluntary participants of mandatory funded component**

1. The following persons may voluntarily participate in mandatory funded component:
   1) following persons born before 1974
      a) hired employees,
b) notaries,
c) sole proprietors,
d) self-employed persons, regardless of age.
Points 1 and 2 of this part shall also apply to foreigners and persons having no citizenship born before 1974 who receive basic income according to the Republic of Armenia legislation.
2. Decision of persons to join voluntarily to mandatory funded component specified in part 1 of this Article is final. They do not have right to further change their decision to join mandatory funded component and return to previous system regardless of changing or quitting the job.
3. Persons provided in part 1 of this Article shall upon deciding to voluntarily join mandatory funded component, open pension account with the Registrar of participants through Registrar of participant’s webpage or account operator by submitting the application provided by Article 38 of this Law. Organization, where persons specified in part one of this Article have opened pension account shall provide a statement on opening the account after which those persons are considered to have made a decision on joining mandatory funded pension component. The Register of participants shall promptly notify about the participants as mentioned herewith to Tax Authority; and Tax Authority shall duly notify this to the employer. Employer (tax agent) shall calculate and make funded contribution from the basic income of the month following the opening of pension account by person voluntarily having joined mandatory funded component.
Persons specified in points “b” and “c” of part 1 of this Article, as well as persons specified in point 2 who voluntarily joined the mandatory funded component shall make contributions independently.

Article 7. Rates of mandatory funded contributions

1. For participants specified in Part 1 of Article 5 of this Law contributions are paid at the rate of 10% from the basic income as follows:
   1) employee, foreigner and person having no citizenship who receives basic income according to the Republic of Armenia legislation and whose monthly income does not exceed 500000 Armenian drams, is obliged to pay a contribution at a rate of 5% from its basic income and for completing the 10% requirement the other 5% shall be paid for (on behalf of) participant from state budget.
   2) for (on behalf of) employee, foreigner and person having no citizenship (who receives basic income according to the Republic of Armenia legislation and whose monthly income exceeds 500000 Armenian drams) monthly payment from state budget is 25000 Armenian drams and for completing the 10% requirement the rest of the amount shall be paid by participant.
   3) sole proprietor or notary whose annual basic income does not exceed 6000000 Armenian drams is obliged to make an annual contribution at a rate of 5% from its basic income and for completing the 10% requirement the other 5% shall be paid for (on behalf of) participant from state budget.
   4) for (on behalf of ) sole proprietor or notary (whose annual basic income exceeds 600000 Armenian drams) annual contribution from state budget is 300000 Armenian drams and for completing the 10% requirement the rest of amount shall be annually paid by participant.
2. Funded pension contribution from contractual income and income from self-employed activities shall be paid by participants as referred to in Article 5 of this Law at the rate of 5 percent, without an additional contribution from the state budget. Further, a participant may pay, on a voluntary basis, contribution from income gained from activities as self-employed.

3. A participant having voluntarily joined the mandatory funded pension scheme, as provided in Article 6 of this Law, shall contribute at the rate of 5 percent of the basic income and contractual income from self-employed activities. No additional contributions are made for (in favor of) him/her from the state budget. Further, a participant may pay, on a voluntary basis, contribution from income gained from activities as self-employed.

4. If persons born after 1974 who gain contractual income as well as self-employed persons who joined the mandatory funded component voluntarily are employed as a hired employee, notary, or individual entrepreneur, they shall pay funded contribution as provided in clauses 1 and 2 of this Article. If a hired employee, notary or individual entrepreneur as participant in the mandatory funded component becomes a self-employed person or person who gains contractual income, they shall pay funded contribution as provided in clause 2 of this Article.

5. In the event a participant is in receipt of basic income as established by this Law simultaneously from several sources, the obligations for making funded contributions and the rate of the funded contributions shall be applied in each case separately in the manner established by this Law. Moreover, the overall contributions made from the state budget for (in favor of) the participants provided in Article 5 of this Law, who are in receipt of income simultaneously from several sources may not exceed the amounts stipulated in Clause 1 of this Article in regard to contributions made from the State. A participant in receipt of income simultaneously from several sources shall be obligated to make additional pension payments until May 31 of the year following the calendar year, in the amount of the difference of 10 percent of his/her basic income and the respective contributions made by the State.

6. Once the retirement age is reached, the participants shall carry on making funded contributions until they submit an application as provided in Clause 7 of this Article.

7. Participants having reached a retirement age shall cease paying funded contributions, if
   1) they submit an application to Tax Authority about ceasing of payment of funded contributions; or
   2) they submit an application to the Register of Participants about receiving of funded pension.

8. Application (and the form thereof) to Tax Authority about ceasing of payment of funded contributions by participants having reached a retirement age shall be determined by the Government of the Republic of Armenia. Pay worker and person who gains contractual income shall submit the application to Tax Authority through their employer.

9. The Register of Participants shall promptly notify about the participant having submitted an application for receiving of funded pension to Tax Authority; and Tax Authority shall duly notify this to the employer.

10. Participants having reached a retirement age shall cease paying funded contributions:
   1) where salary and salary equivalents and contractual income are involved – on the 1st of the month following an application submitted to the employer or to the Register of Participants in order for the application to be filed to Tax Authority;
2) where entrepreneurial and notary income and income from activities as self-employed are involved – on the 1st of January of the year when an application is submitted to the employer or to the Register of Participants in order for the application to be filed to Tax Authority.

11 Once the retirement age is reached, the rate of funded contribution shall be 5 percent of the basic income, while no funded contributions shall be made for (in favor of) the participant from the state budget.

**Article 8. Mandatory funded contributions**

1. Employers shall act as tax agents by being responsible for calculating and transferring mandatory funded contributions for (on behalf of) their hired employees and contractual income gainers.

2. Employers shall have the employees and gainers of contractual income under employment or civil contracts signed therewith register electronically with Tax Authority; as well as employers as a tax agent shall calculate and pay funded contributions from the basic income within the timeframe established in the Law of the Republic of Armenia “On Income Tax” and at the rates stipulated therein.

Non-resident organizations in the Republic of Armenia shall, in their capacity as tax agent, calculate and pay funded contributions to pay workers and gainers of contractual income within the timeframe and at the rate as stipulated herewith. In this case the tax agent shall submit an annual personalized electronic report on funded contribution to Tax Authority within a timeframe established in the Law of the Republic of Armenia “On Income Tax”.

3. Employers shall submit a personalized electronic report to Tax Authority within the timeframe established by the Law of the Republic of Armenia “On Income Tax”.

4. Notaries, sole entrepreneurs and self-employed persons, as well as pay workers and gainers of contractual income, as mandatory funded contribution scheme participants, are responsible for calculating and making mandatory funded pension contributions for their own on an annual basis within the timeframe established by the Law of the Republic of Armenia on “On Income Tax”.

Where the employer is exempt of a tax agent’s duty, pay workers and gainers of contractual income as mandatory funded contribution scheme participants shall calculate and make mandatory funded pension contributions for their own, within the timeframe as stipulated for the employer.

5. Notaries, sole entrepreneurs and self-employed shall submit personalized electronic reports to Tax Authority within the timeframe established by the Law of the Republic of Armenia on “On Income Tax”.

The pay workers and gainers of contractual income as referred to in part 2 of clause 4 of this Article shall, on a monthly basis, submit a simplified personalized electronic report to Tax Authority for the employer, within the timeframe as stipulated for the employer.

6. Registration of pay workers and gainers of contractual income and delivery of personalized reports to Tax Authority are governed by the Law of the Republic of Armenia “On Income Tax and Personalized Funded Contribution Record”.

7. The employers and pay workers and gainers of contractual income as referred to in part 2 of clause 4 of this Article may double check mandatory funded contribution calculations of previous periods and, where errors have been identified, shall be able to re-deliver correct calculations to Tax Authority electronically; these calculations will then be used for re-settled obligations on mandatory funded contributions.
8. Notaries, individual entrepreneurs and self-employed shall be able to introduce correction to the data in calculations of mandatory funded contributions for the reporting period due even if these have been already delivered.

9. No adjustment to calculations of mandatory funded contributions will be allowed during or after inspection at the employer by Tax Authority.

**Article 9. Transfer of personalized information and mandatory funded contributions to the Registrar of Participants**

1. Tax authority processes calculations on mandatory funded contributions within maximum 10 days after due date of submission or actual receipt. Where data reports of mandatory funded contribution scheme participants employed at tax agents, self-employed parties and agents exempt of the tax agent’s duty convey no errors and funded contributions specified in reports transferred to the bridge account, tax authority submits payment orders to the treasury in order to transfer to the Registrar of participants relevant amounts from proceeds of bridge account and Republic of Armenia’s state budget.

2. Tax authority submits personal data on mandatory funded contributions to the Registrar of participants on the day of submission of order specified in part 1 of this Article.

3. Data submitted to the Registrar of participants by tax authority shall comprise the following information on participants:
   a) participant’s name and surname, serial number of passport,
   b) public service number or number of statement on absence of public service,
   c) amount of participant’s funded contribution,
   d) amount of contribution subject to payment from state budget,
   e) tax identification number of employer, as well as notary and sole proprietor,
   f) other information defined by the Republic of Armenia Government.

4. Order for correcting errors relating to transfer of funded contributions and information provided in part 3 of this Article shall be defined by the Republic of Armenia Government. Overpayment of contributions to the account of Registrar of participants shall not be refunded to participants; instead such payments shall be considered for calculation and payment of future funded contributions.

**Article 10. Opening of pension account**

1. Registrar of participants open an account for person based on information provided by part 2 of Article 9 of this Law or application provided by part 1 of article 38 of this Law. Registrar of participants opens pension account for persons specified in Article 5 of this Law upon receipt of information provided in part 2 of Article 9 of this Law from tax authority if pension account has not been opened for that person. Registrar of participants shall open pension account for persons specified in Article 6 of this Law based on application submitted by parson in a manner provided by part 3 of Article 6 of this Law.

2. If person has not submitted the application provided in Article 38 of this Law, Registrar of participants notifies in writing (paper) within 10 working days upon opening pension account for that person about opening the account and about the fact that if within 30 days upon opening pension account the person does not submit application to the Registrar of participant on selection of pension fund and pension fund manager in the manner provided by Article 38 of this Law, selection will be done in the manner provided by Article 39 of this Law.
Law through program module on a random basis after which subsequent contributions of participant will be directed to selected pension fund.

3. Registrar of participant administers pension account until death of participant and, if shares are available on the pension account at the moment of death, until heritage of shares or redemption of units recognized as non-inherited under a court ruling.

4. In case of replacement of Registrar of participants or termination of its activities, register of participants is transferred to another person operating register of participants or to the Republic of Armenia Government. Order, form and terms of transfer of register of participants shall be defined by the Republic of Armenia Government.

5. If the participant has chosen execution of transaction through account operator among options specified in part 3 of Article 6 of this Law, account operator intermediates services provided to participants by Registrar of participants in the manner provided by this Law and other regulations adopted on the bases of this Law, including:

1) opening pension account,
2) making amendments in personal data of participant,
3) selection and/or replacement of fund by participant, exchange of pension fund shares, acquisition of other documents and information and transfer to the Registrar of participants,
4) acquisition of information on participant’s pension account form Registrar of participants and submission to participant.

6. Account operator shall ensure secrecy of participants, their selection and other information which became known to him during execution of its functions. Account operator shall not be affiliated to the pension fund manager and/or custodian. Account operator or its employees are prohibited to advertise any pension fund or pension fund manager, consult or otherwise guide the person applied to them on selecting any pension fund or pension fund manager.

**Article 11. Acquisition of pension fund shares on the account of mandatory funded contributions**

1. Republic of Armenia financial sector state responsible body shall transfer to the account of Registrar of participants opened with the Central Bank mandatory funded contributions in the amount specified in part 1 of Article 9 of this Law and relevant amounts for Republic of Armenia state budget.

2. The Register of Participants shall compare the information provided by Tax Authority as defined in Article 9, Clause 2 of this Law with the pension accounts opened and the funds received from the state body authorized in the financial sector of the Republic of Armenia and immediately following that, but no later than within 1 (one) business day upon receipt of the amount specified in Clause 1 of this Article, and in case the choice of fund has not been made as of the receipt of the amount – upon making an appropriate choice.

1) against funded contribution made for each person, transfer to the pension account of that person shares of selected pension fund equivalent to funded contribution based on subscription price of that pension fund’s share. Issue of pension fund shares is organized by Registrar of participants pursuant to this Law, regulation adopted on the bases of this Law, rules of pension fund and agreement entered into between pension fund manager and custodian,
2) according to point 1 of this part transfer the amount equivalent to subscription price of shares transferred to the pension accounts of participants to the account indicated by relevant pension fund custodian,

3) provide pension fund manager with information on quantity of shares of relevant pension fund transferred to pension account in accordance with point 1 of this part and on amount transferred in accordance with point 2 of this part without disclosing the participant who made selection.

3. Pension fund rules shall not define restrictions on quantity or price of pension fund shares subject to acquisition by each participant.

4. Registrar of participants provides managers of pension fund with information on total amount of funded contributions of participants. Information is provided without any identification data, i.e., pension fund managers do not dispose any information which will make possible to identify concrete person. Registrar of participants may provide pension fund managers with at least the information specified in part 6 of Article 18 of this Law.

5. Initial nominal value of pension fund share shall be defined by the Republic of Armenia Government.

6. Central Bank may define by its regulations procedural requirements for pension fund share issue.

**Article 12. Provision of information on pension account**

1. The Registrar of Participants must report to the Participant, free of charge, once a year no later than on the 15th of April on the balance of pension account covering the period of previous calendar year.

2. Submission of information specified in part 1 of this Article will be in paper format. Second and subsequent submission of information specified in part 1 of this Article to the participant is executed at participant’s discretion either in paper format or electronically. If participant does not make choice of submission of information specified in part 1 of this Article either in paper format or electronically second and subsequent submission of information specified in part 1 of this Article is not executed. Registrar of participant shall send the information specified in part 1 of this Article in paper format to the address specified in application provided in part 1 of Article 38 of this Law. Participants who have not provided with preferred address, the information specified in part 1 of this Article shall be sent in paper format to the address available at Population State Register. Participant may terminate receipt of information at his discretion.

3. Format, content and order of submission of information specified in part 1 of this Article, as well as order, format and content of information on choice of options for receipt of, cancellation and restoration of receipt of information specified in part 2 of this Article shall define the Republic of Armenia Government.

4. Registrar of participants may charge a fee from participant for submitting information specified in part 1 of this Article in paper format for more than once annually, as well as for additional information, the amount of which shall not exceed expenses required for preparation and provision of it plus reasonable profit of Registrar.

5. Registrar of participants shall place daily updated information on its website in the manner and content provided by Central Bank regulations. Registrar of participants shall ensure opportunity for each participant to have free of charge access to information on individual pension account through its website. Requirements on
ensuring such access may be defined by Republic of Armenia Government decree, which is possible to ensure through use of system and technical means ensuring personal identification and information secrecy available in the Republic of Armenia at that moment. Central bank regulations may establish requirements for composition and publication format of information to be published by Registrar of participants through other means of publication.

**Article 13. Status of shares of mandatory pension fund and restrictions thereon**

1. Shares of pension fund registered on participant’s pension account are personal property of participant.
   Pension fund shares of spouses are considered as personal property of each spouse.
2. Participant’s right to dispose shares of pension fund is restricted until the following events:
   1) attaining pension age;
   2) recognizing in the manner established by legislation participant’s disability of third degree for engaging in employment activities;
   3) conclusion of Republic of Armenia Government responsible body in healthcare sector on participant’s extreme sickness and incurable sickness of vital organs;
   4) leaving for abroad for permanent residence and renouncing the citizenship of the Republic of Armenia.
3. Participant shall not have right to the following actions with shares of pension fund:
   1) pledge;
   2) investment in statutory capital of legal entity;
   3) endowment or alienation otherwise;
   4) using in a way which may lead to the termination of ownership right on share of pension fund.
4. Assets of mandatory pension fund may not be pledged or serve as guarantee for fulfillment of obligations. Requirement stipulated by this part shall not restrict the right to enter into repo (reverse repo) transactions with assets of pension fund if so provided by rules (statute) of pension fund and if the thresholds stipulated by this Law are not violated in the result of such transactions.
5. Shares of pension fund belonging to participant may not be foreclosed to satisfy participant’s obligation until attaining the pension age.

**CHAPTER 3

**MANAGEMENT OF MANDATORY FUNDED COMPONENT**

**Article 14. Powers of tax authority**

1. Tax authority:
   1) operate personalized data of mandatory funded component in accordance with the legislation,
   2) each month accept from employers individual calculations on mandatory funded contributions and verify the accuracy of calculations in accordance with the law,
3) accept reports on mandatory funded contributions from notaries, sole proprietors and self-employed persons within the period provided for income tax by the Republic of Armenia law “On Income tax” and verify the accuracy of reports in accordance with the law,
4) compare personalized information received from employers each month with personalized database,
5) compare personalized information received from notaries, sole proprietors and self-employed persons with personalized database,
6) collect mandatory funded contributions made by employers, notaries, sole proprietors and self-employed persons and submit report on collections to the Republic of Armenia Government financial sector state responsible body,
7) inform employers, sole proprietors, notaries, self-employed persons on errors in paid contributions and information received from them. They are obliged to correct errors and submit corrected calculations in accordance with the Republic of Armenia Government decision stipulated by part 4 of Article 9 of this Law,
8) consider claims and errors on mandatory funded contributions made by employers, notaries, sole proprietors and self-employed persons and require to submit corrected calculations if necessary,
8.1) the amount of state participation as provided in part 1 of Article 7 of this Law, which is transferrable in favor of participants, shall be calculated based on calculations so provided from employers, notaries and individual entrepreneurs.
9) submit instructions to transfer amounts deposited on Republic of Armenia Government financial sector state responsible body’s bridge account to the account of Registrar of participants opened with the Central Bank,
10) provide the Registrar of participants with personalized information on mandatory funded contributions,
11) respond to the written applications of participants regarding to the mandatory funded contributions and reports,
12) adopt regulations and conduct inspections within the scope of its authorities,
13) submit reports to the Government of the Republic of Armenia, Republic of Armenia Government financial sector state responsible body on personalized database of mandatory funded component and its operation, if so requested,
14) perform other functions arising from this Law and other laws.
2. (Part is revoked)

Article 15. Powers of the Central Bank

1. The Central Bank:
1) defines prudential requirements for pension fund managers including market, operational, liquidity and other risk related requirements,
2) registers pension fund rules,
3) defines forms and order of submission, as well as publication of reports provided by pension fund managers to participants (in case of voluntary pension funds)
4) drafts and publishes public awareness materials on mandatory funded component based on reporting information received from pension fund managers,
5) in cases and in the manner provided by this Law approves or rejects the content of advertisements and other commercial publications made by pension fund managers,
6) supervises the compliance of activities of pension fund managers, custodians, Registrar of participants and account operator (within the scope of its authorities) with the requirements of this Law and other regulations,
7) receives reports from pension fund managers, custodians and Registrar of participants submitted in accordance with the defined procedure and analyses them,
8) undertakes inspections within the scope of its authorities at the Registrar of participants, account operator, pension fund managers and custodians,
9) defines general rules of administration of register of participants including rules of administration of pension account, issuance of pension fund share pursuant to this Law and other regulations, as well as rules of custody of pension fund assets,
10) defines the order of functioning of account operator,
11) defines the form and order of submission of applications by the participant to the Registrar of participants, as well as reports and other information submitted by Registrar of participants to participants,
12) perform other functions arising from this Law and other regulations.

Article 16. Powers of the Registrar of participants

1. Registrar of participants, based on this Law, regulations adopted on the bases of this Law as well as agreement with the Republic of Armenia Government;
   1) performs functions of Registrar of participants as provided by this Law and other regulations,
   2) opens and administers pension accounts of participants in accordance with this Law,
   3) in case of opening pension account for persons provided in Article 6 of this Law informs tax authorities thereon,
   4) ensures secrecy of choice of pension fund and pension fund manager, as well as secrecy of information in account statement if so wished by the participant. The order of keeping the secrecy stipulated by this point is defined by Registrar of participants with the consent of the Republic of Armenia Government,
   5) organizes issuing of pension fund shares, their deposit on pension accounts and redemption of shares pursuant to this Law, regulations adopted on the bases of this Law, pension fund rules and agreement between pension fund manager and custodian,
   6) transfers mandatory funded contributions from the account opened at the Central Bank to the account of respective pension fund manager specified by the custodian of pension fund without disclosing participants who have made a choice,
   7) provides information to participants on pension accounts in accordance with Article 12 of this Law,
   8) organizes jointly with the pension fund custodian exchange of one pension fund shares into another pension fund shares based on the application of participant within the period provided by this Law,
   9) organizes jointly with the pension fund custodian transfer of means acquired from the redemption of mandatory pension fund shares to the insurance company with the aim of concluding annuity agreement,
   10) organizes jointly with the pension fund custodian lump-sum and program withdrawals,
11) transfer pension fund units from pension accounts of deceased participants at heirs’ will; where pension units are recognized as non-inherited, redeem the pension units and transfer monetary proceeds from redemption to the state budget;
12) submits reports to the Central Bank in accordance with the procedure, content and frequency stipulated by Central Bank regulations,
13) performs other functions arising from this Law, regulations adopted on the bases of this Law, as well as agreement between Republic of Armenia Government and Registrar of participants and pension fund rules.

**Article 17.  Powers of Republic of Armenia Government financial sector state responsible body**

1. Republic of Armenia Government financial sector state responsible body:
1) notifies tax authority about funded contributions and ensures transfer of mandatory funded contributions to the Registrar of participants through treasury system upon instruction,
2) exercises forecasts on amounts of contributions made from the state budget of each year in accordance with this Law, which shall be considered each year for drafting state budget,
3) prepares and ensures unified policy of funded pension component,
4) submits recommendations, in accordance with the point 1 of Articles 44 and 72, to the Republic of Armenia Government on restrictions of investments,
5) performs other functions arising from this Law and other regulations.

**CHAPTER 4  
PENSION SECRET**

**Article 18.  Keeping pension secrecy**

1. Disclosure of information constituting pension secret by the person, state authority or state official to whom such information is entrusted, become known in the course of exercising its functions or job or are provided pursuant to this Law, shall be prohibited except for cases stipulated by this Chapter.
Disclosure of pension secret shall be oral or written dissemination of information (or its any flash containing such information) through mass media or otherwise, making it known or disseminating to the third party or giving third parties an opportunity, either directly or indirectly, to obtain such information (permitting, not preventing or enabling its publication through violation of procedure for keeping information).
2. Employer, responsible state authority, Central Bank, Registrar of participants, account operator, manager of pension fund, custodian the guaranty fund manager shall be obliged to undertake such technical measures and define organizational rules, necessary for keeping in a due manner information constituting pension secret.
3. Managers, officials, previous managers or officials of persons specified in part 2 of this Article, as well as persons and organizations who provide or have previously provided services (works) to persons specified in point 2 of this Article are prohibited to disclose information constituting pension secret entrusted or known to them in the course of exercising its functions or job, as well as using them on their own or third parties interest,
giving third parties an opportunity, either directly or indirectly, to obtain such information (permitting, not preventing or enabling its publication through violation of procedure for keeping information).

4. Employer, Registrar of participants, account operator, tax authority and the guaranty fund manager may disclose in the court information about participant constituting pension secret in cases and within the limits necessary for protection of rights and lawful interests of participant provided the dispute is between participant and Registrar of participants or account operator or between tax authority or employer or the guaranty fund manager.

5. Employers, Registrar of participants and tax authority shall be obliged to provide each other with information on pension accounts of participants with the aim of protecting interests of participants, except for information on pension fund manager chosen by participant, pension fund and pension fund shares.

5.1 The Central Bank and the guaranty fund manager will want to exchange useful information, in the manner specified in a Central Bank regulation, to make sure the guaranty fund’s operations are effective.

6. Registrar of participants or tax authority may provide pension fund manager with maximum the following information:

1) the number of participants of each pension fund managed by the given pension fund manager;
2) the number of participants making funded contributions to each pension fund managed by the given pension fund manager;
3) the number participants having joined each pension fund (having chosen the pension fund, pursuant to clause 1 of Articles 38 or 39 or 40 of this Law);
4) the number of participants having purchased units of each pension fund of the given fund manager as a result of exchange of units of other funds;
5) the number of participants having ceased to make funded contribution to each pension fund of the given fund manager because of choice of another pension fund;
6) the number of participants having switched from each pension fund of the given fund manager because of exchange of units; 
7) the number of participants, reaching a retirement age in the given year, of each pension fund, and the number of unit owned by these participants;
8) the number of participants receiving a program withdrawal from each pension fund of pension fund manager during the year, and the total number and calculated value of unit owned by these participants;
9) information specified in Article 11, Clause 2, sub-clause 3 of this Law.

7. The information set forth in sub-clauses 1-6 of Clause 6 of this Article can be presented according to participants’ age structure (with at least 5-year breakdown), sex, total number and net asset value of units held by participant, the amount of funded contributions made (with at least AMD 10,000 breakdown), and according to districts [of city Yerevan].

8. The information as provided in Clause 6 of this Article shall not be presented more often than monthly.

9. The Register of Participants and Tax Authority must exclude the access of the pension fund managers of any information they possess or other information served as a basis for calculations which might help the pension fund manager to identify a specific participant or an employer, where the participant is employed.

**Article 19. Provision of pension secrecy to criminal prosecution authorities**
1. Employer, Registrar of participants, account operator, tax authority shall provide, in accordance with this Law, criminal prosecution authorities with information constituting pension secret only based on court decision pursuant to the Republic of Armenia Criminal Prosecution Code.
2. Employer, Registrar of participants, tax authority shall provide criminal prosecution authority or its authorized representative with the information required by decision within 2 days upon receipt of court decision.
3. It shall be prohibited to inform the Participants about providing the criminal prosecution authorities with information about them constituting pension secret.
4. If after analyzing by the Central Bank information stipulated by the Republic of Armenia Law “On Money Laundering and Terrorism Financing”, it is revealed that there is a case or attempt of money laundering or terrorism financing, the Central Bank shall directly provide information to relevant criminal prosecution authority.

Article 20. Provision of pension secrecy to the court

1. Employer, Registrar of participants, tax authority shall provide, pursuant to this Law, information constituting pension secret about participant who is party to civil or criminal cases at the court only based on court decision taken in accordance with the Republic of Armenia Civil or Criminal Procedure Codes.
2. Employer, Registrar of participants, tax authority shall be obliged to provide the court or its authorized representative with the information and documents required by court decision, judgment, ruling within two working days upon receipt of court decision.

Article 21. Provision of pension secrecy to the successors of participant

1. Employer, Registrar of participants, tax authority shall provide information on participant constituting pension secret in accordance with this Law to successors of participant if they provide with documents on their rights of succession.
2. Employer, Registrar of participants, tax authority shall within 10 working days upon receipt of documents on rights of succession provide them with information about participant available to them and documents.
3. Refusal by employer, Registrar of participants, tax authority to provide with information and documents in accordance with this Article or failure to provide them within specified time period may be challenged in the court. Damages caused to applicants and organizations due to refusal or failure to provide information or documents within the time period stipulated by this Law shall be compensated in the manner stipulated by this Law, if the refusal was unfounded, or the time periods were not respected by the fault of employer, Registrar of participants, tax authority.

Article 21.1 Providing Pension Secret to Manager of Guaranty Fund

In addition to exchange of information as stipulated in sub-clause 5.1 of Article 18 of this Law, the manager of guaranty fund may obtain other information that constitutes pension secret from the Central Bank or other entities holding pension secret only when there has
arisen an incidence of compensation of mandatory funded contribution, in a manner stipulated under the Central Bank regulation.

CHAPTER 5

MANAGER OF PENSION FUND

Article 22. Functions of pension fund manager and requirements toward its activities

1. Pension fund manager shall manage pension fund in accordance with this Law. Manager engaged in management of mandatory pension fund shall not have right to engage in management of specialized or categorized investment fund pursuant to the Republic of Armenia Law “On Investment funds”.
2. Directors and employers of pension manager shall act in accordance with the funds’ participants interest, implement their rights and fulfill their obligations towards fund participants in a good faith and reasonably and adequate level of professionalism (fiduciary duty).
3. Pension fund manager must conduct a separated record keeping of its assets, assets and securities portfolio of each pension fund under its management.
4. Pension fund assets are not the property of pension fund manager and may not be foreclosed to satisfy the obligations of pension fund manager including in the case of bankruptcy.
5. Pension fund manager shall define on a daily basis the value of each pension fund and pension fund shares net assets under its management in accordance with the Law, Central Bank regulations, and pension fund rules.

Article 23. Legal organizational forms of pension fund manager

1. Pension fund managers may be founded in legal organization forms stipulated by Republic of Armenia Law “On Investment Funds”.
2. Provisions of Republic of Armenia Civil Code, as well as Republic of Armenia laws and regulations shall apply to the pension fund manager unless otherwise provided by this Law.

Article 24. State registration and licensing of pension fund manager

1. The Central Bank of Armenia performs state registrations and licensing of the pension fund manager pursuant to the Republic of Armenia Law “On Investment Funds”.

Article 25. Requirements and restrictions to pension fund manager

1. Requirements and restrictions stipulated by Republic of Armenia Law “On Investment Funds” to investment fund managers shall apply to pension fund managers, unless otherwise provided by this Law.

Article 26. Firm name of pension fund manager, participation restrictions, management bodies and managers, their professional adequacy
and qualification

1. Requirements relating to the firm name of pension fund manager, restrictions on participation in its capital, its management bodies and managers, professional adequacy and qualification of its managers shall be regulated by the Republic of Armenia Law “On Investment Funds”.

**Article 27. External audit of financial activity: Annual audit report**

1. External audit of financial economic activity of pension fund and pension fund manager shall be conducted in accordance with the Republic of Armenia Law “On Investment Funds”.
2. Pension fund manager is obliged to publish on official website of the Republic of Armenia public notifications at the [http://www.azdarar.am website](http://www.azdarar.am), as well as place on its website financial reports and auditor’s report.

**Article 28. Supervision of pension fund managers: Obligation of pension fund manager to submit reports**

1. Central Bank shall conduct supervision of pension fund managers.
2. Pension fund managers shall prepare, publish and submit to the Central Bank annual and interim reports and information stipulated by this Law, Republic of Armenia Law “On Investment Funds” and Central Bank regulations. Forms of statements and order of their submission and publication shall be stipulated by Central Bank regulations.
3. Reports and information published by the pension fund manager and/or submitted to the Central Bank shall be accurate and complete.

**Article 29. Information on pension fund managers and pension funds managed by them, and publication thereof**

1. Information about pension fund manager subject to publication shall be accessible for everyone.
2. Pension fund manager must permanently have a working website and publish on that website at least in Armenian at least the following information about him and pension fund managed by him:
   1) external audit report on financial statements and annual statements (at least last annual and quarterly). Meanwhile, pension fund managers shall be obliged to publish financial statements provided by this point also in media,
   2) general information on the component and structure of pension fund assets,
   3) information on profitability,
   4) information on decisions on dividend payment, as well as copies of acts providing for dividend policy of pension fund manager, if available,
   5) information on persons having significant holding in pension fund manager’s statutory capital, their name, share of holding in pension fund manager’s statutory capital,
   6) list of manager’s board and executive body members and personal data (name, surname, date of birth, biography):
Central Bank regulations may define the form, order and frequency of publication (including means of publication) of information provided in point 1-6 of this part, as well as other information (except for information constituting commercial, or other secret or official information).

3. Pension fund managers shall be obliged to publish daily updated information about pension funds proposed by them on their website or otherwise make available to the public. 4. Pension fund managers shall be obliged to publish audit report and annual financial statement until May 1 after the end of financial year on official website of the Republic of Armenia public notifications at the [http://www.azdarar.am](http://www.azdarar.am) website.

5. Pension fund manager shall not have right to use misleading information in their advertisement, public offerings or announcements on its name or announcements made by third parties about pension fund manager, which may lead to incorrect assumption or misreading about financial situation, position in financial market, reputation, goodwill and legal status of pension fund manager.

6. Methodology of profitability of pension fund manager assets and criteria for providing information on profitability shall be defined by the Central Bank agreed with the Republic of Armenia Government financial sector state responsible body.

7. Information published and submitted by the pension fund manager must be accurate and complete.

**Article 30. Statutory Capital of Pension Fund Managers and Requirements to Participation in Mandatory Pension Funds Managed by Them**

1. Minimum statutory capital of pension fund manager shall be defined by the Central Bank regulations, which shall not be less than 500 million Armenian drams for mandatory pension fund managers and less than 200 million drams for voluntary pension fund managers.

2. In addition to the statutory capital as provided in Clause 1 of this Article, pension fund managers must hold at least 1 percent participation, by the use of own funds, in each pension fund they manage. The calculation of the participation stipulated herewith shall be determined by the Central Bank normative regulation.

3. In the event of breach of prudential standards as provided for in this Article, pension fund manager must notify this to the Central Bank within 3 (three) business days and take an action to remedy the infringement within the timeframe established by the Central Bank, which shall not however be a period longer than four months.

4. The acquisition of units of mandatory pension fund by the pension fund manager shall be determined by the Central Bank normative regulation.

**Article 31. Advertisement of pension fund manager**

(Article 31 is revoked)

**Article 32. Termination of activities of pension fund manager and revocation of authorization of pension fund management**

1. General meeting of pension fund manager shall have right to take a decision on liquidation of pension fund manager (self-liquidation), as well as upon petition of pension fund manager authorization of mandatory or voluntary pension fund may be revoked.
2. Pension fund manager shall obtain, in accordance with Republic of Armenia Law “On Investment Funds” and Central Bank regulations adopted based on it, prior agreement of the Central Bank for self-liquidation or revocation of authorization of mandatory or voluntary pension fund management.

3. Pension fund manager, who acquired prior authorization stipulated by part 2 of this Article, shall take measures to transfer management of all its funds to other pension fund manager (managers) in accordance with the Republic of Armenia Law “On Investment Funds”. Meanwhile, transfer agreement on mandatory pension fund management shall be entered into with the mandatory pension fund manager who won in the tender organized in accordance with the Central Bank regulations. Central Bank regulations shall define requirements for valuation of applications for participation in tender provided by this part, which shall take into account management fees provided by applicant, its financial situation, reputation, experience and other circumstances.

4. Obligations stipulated in part 3 of this Article shall be fulfilled by pension fund manager (liquidation commission) in case of revocation of pension fund manager license or mandatory or voluntary pension fund manager’s permission as an enforcement action. Termination of activities of pension fund manager is performed in accordance with the Republic of Armenia Law “On Investment Funds”.

5. The Central Bank shall inform the Register of Participants about the decision on granting consent to the pension fund manager’s liquidation or on the annulment of the mandatory or voluntary pension fund management’s permission as described in this Article within 3 (three) days after taking such a decision.

6. The Register of Participants shall within 10 (ten) days notify the participants, having chosen the given pension fund, of the transfer of management to another fund manager, and of their right to choice of a new pension fund.

7. As a result of annulled license or annulled permission to manage the pension fund as well as based on preliminary consent granted by the Central Bank to annul permission to manage the pension fund, the participants of the transferred fund are entitled to change, for free, the given pension fund within 60 (sixty) days after the transfer of the mandatory pension fund to another manager, in the manner specified in Article 40 of this Law.

CHAPTER 6
CUSTODY OF PENSION FUND ASSETS

Article 33. Custodian of pension fund

1. Custody of pension fund shall be performed in accordance with this Law and Republic of Armenia Law “On Investment Funds”.

2. Custodian shall be obliged to provide custody services of assets professionally, correctly and attentively acting in good faith and exclusively in the interest of participants (fiduciary duty).

3. Custodian is obliged to separate assets of each pension fund under custody from its and other persons’ and funds’ assets and keep a separated record of assets.

4. A bank performing activities in the territory of the Republic of Armenia who, pursuant to the Republic of Armenia Law “On Securities Market” provides custodian services for at least 2 years, may act as pension fund custody.
It shall be prohibited to pension fund manager from entering into custody agreement with custodian affiliated to it.

5. In case if mandatory funded assets of pension fund are also invested outside the Republic of Armenia, the custody enters into agreement with foreign custody, if necessary, for implementation of custody functions in accordance with the Republic of Armenia Law “On Investment Funds”.

6. Custodian has right to simultaneously undertake custody of two and more pension fund assets. In that case the custodian is obliged to separate and keep separate record of its own and each pension funds’ assets, transactions with such assets and record.

7. Pension assets are not the property of custodian and may not be foreclosed for fulfillment of obligations of custodian, including in the case of bankruptcy.

**Article 34. Functions of custodian**

1. In addition to the functions stipulated by the Republic of Armenia Law “On Investment Funds” the custodian is obliged to notify the Central Bank on violations or grounded suspicion of violation by pension fund manager of this Law, the Central Bank regulations, rules and requirements of fund. In case of revealing the violation or suspicion of violation provided in this part the custodian shall be obliged to notify the Central Bank within 1 day.

2. Pension fund custodian performs the following functions in addition to those stipulated by the Republic of Armenia Law “On Investment Funds”:
   1) organizes exchange of voluntary pension fund shares into another voluntary pension fund shares,
   2) organizes jointly with the Registrar of participants exchange of mandatory pension fund shares into another mandatory pension fund shares,
   3) organizes jointly with the Registrar of participants and insurance company transfer of means acquired from the redemption of participant’s pension fund share to the insurance company with the aim of concluding annuity agreement in accordance with this Law,
   4) organizes repayment of pension shares of pension fund participant with the aim of concluding funded pension agreement with insurance company,
   5) performs other functions arising from this Law.

**Article 35. Responsibility of custodian**

1. Custodian shall be responsible pursuant to the Republic of Armenia legislation for non-performance or improper performance of its functions.

2. Agreement between pension fund manager and custodian shall not restrict the responsibility of custodian stipulated by this Law and other laws.

3. Custodian shall be responsible for damages caused by its actions or omission. Such damages may not be compensated by mandatory pension fund assets under custody.

4. Performance of part of responsibilities of custodian by another custodian (sub-custody) in accordance with this Law and Republic of Armenia Law “On Investment Funds” the principal custodian shall bear responsibility for damages according to the Republic of Armenia Law “On Investment Funds”.

**Article 36. Replacement of custodian**
1. Custodian may by its own discretion terminate pension fund custody agreement (voluntary termination of agreement) in accordance with Article 90 of the Republic of Armenia Law “On Investment Funds”.

2. In the event of termination of agreement by its own discretion the custodian shall notify thereon the pension fund manager, Central Bank and Registrar of participants (in case of custody of mandatory pension fund) 90 days prior to supposed termination.

3. In the event of revocation of license as well as bankruptcy (forced termination of activities) of custodian, Central Bank shall inform pension fund manager thereon within 3 days upon adoption of decision.

4. Within 60 days upon receipt of notification, pension fund manager shall enter into custody agreement with another custodian.

5. Upon termination of custody agreement custodian is obliged to transfer pension fund assets and documents thereon to new custodian. Upon termination of custody agreement of pension fund custodian shall continue its responsibilities stipulated by Law, regulations adopted based on law and pension fund rules until conclusion of agreement with new custodian and transfer of funds’ assets to it. Custodian shall bear responsibility until full transfer of assets and documents to new custodian.

CHAPTER 7

SELECTION OF MANDATORY PENSION FUND

Article 37. Obligation of participants to select mandatory pension fund

1. Participants of mandatory pension fund component are obliged to select any pension fund. Meanwhile, in each case participant shall select only one pension fund. Funded contribution(s) made for (on behalf of) participant for the same period shall not be directed to simultaneously to more than one pension fund.

2. Complete and updated information on pension fund managers and their pension funds shall be accessible for participants at Registrar of participants (including on its website) and account operator.

Article 38. Selection of pension fund

1. Participant shall submit application to the Registrar of participant for selection of mandatory pension fund through means stipulated in paragraph 2 of part 5 of Article 12 of this Law or account operator. Form of application and order of its submission is defined by regulations of the Central Bank.

2. Application stipulated by part 1 of this Article shall comprise the following information:

   1) name and surname, serial number of passport, date of birth of participant,
   2) public service number or number of statement on not possessing public service,
   3) contact information of participant (telephone number, electronic mail address (if available), place of residence and other),
   4) preferred mean of receipt of information (statement of pension account, letter, electronic message and other) from Registrar of participants on participant,
   5) name of selected pension fund manager and pension fund,
6) statement on agreeing with pension fund manager’s management fees and rules of fund,
7) statement of being aware about obligation to make funded contributions,
8) date (year/month/day) of submission of application,
9) signature of participant (official representative of participant), except for the cases when application is filed electronically, which ensures identification of person.
3. Participants shall inform Registrar of participants, in a manner stipulated by the Register of Participants, about changes in personal data provided in the application stipulated by part one of this Article.

**Article 39. Failure to select pension fund**

1. If participant fails to select pension fund within time period and in the manner stipulated by part 2 of Article 10 of this Law, the selection on behalf of participant shall be done by the Registrar of participants through program module on a business day following the established time.

The program module randomly allocates participants who fail to select pension fund among all pension fund managers proportional to selections made by other participants taking into account proportionality available on the day preceding the day of transfer of pension fund shares to pension accounts pursuant to part 2 of Article 11 of this Law. At the account of funded contributions of participants who failed to select pension fund shares of average risky (conservative) pension fund randomly selected in accordance with paragraph 2 of this part shall be acquired.

2. Registrar of participants is obliged to immediately notify in written form to the participant about pension fund manager and pension fund selected on his behalf, as well as on the right to replace pension fund manager and pension fund.

**Article 40. Participant’s right to replace pension fund manager and pension fund**

1. Participant shall be entitled to replace at any time previously selected pension fund to pass its further funded contributions to the pension fund managed by same or new pension fund. In cases stipulated by this part participant shall prepare and submit to the Registrar of participants selection application provided by part 1 of Article 38 of this Law.

2. Participant shall be entitled to exchange shares of mandatory pension fund only with another mandatory pension fund shares. Participant shall be entitled to exchange shares of mandatory pension fund with another pension fund shares (managed by the same or other pension fund) through submission of application on exchange of shares to the Registrar of participants. In case of exchange of mandatory pension fund shares redemption fee for shares subject to exchange may be charged in accordance with parts 2 and 3 of Article 45 of this Law.

3. Application provided by part 2 of this Article shall comprise information provided by part 2 of Article 38 as well as names of previous and new pension funds and their managers. Form of application provided by part 2 of this Article shall be defined by Central Bank regulations.

4. Registrar of participants shall refuse the application provided by part 1 and 2 of this Article when provided for in Clause 10 of this Article as well as when it does not meet the requirements of this Law or regulations adopted on the bases of this Law.
Registrar of participants is obliged to inform applicant about refusal of application within 5 days providing with grounds of refusal.

5. In case if fee shall be charged, in accordance with part 2 of this Article or part 2 of Article 45 of this Law, for exchange of shares, the Registrar of participants shall inform the participant thereon specifying the amount of fee.

6. Funded contributions for (on behalf of) participant shall be directed to new pension fund starting from the moment of submission of application provided by part 1 of this Article to the Registrar of participants.

7. Exchange of mandatory pension fund shares shall be performed within 10 days upon receipt of application provided by part 2 of this Article.

8. Units of mandatory pension fund shall be exchanged at redemption price set for the day (hour) for which an exchange order has been made and at underwriting price set for the day (hour) for which new units have been underwritten.

Units of mandatory pension fund shall be redeemed at the redemption price of that particular unit, last calculated and published as of an order redeem these, in a manner set forth in Article 29 of the Law of the Republic of Armenia “On Investment Funds”.

Units of mandatory pension fund shall be underwritten at the underwriting price of that particular unit, last calculated and published as of an order to purchase them, in a manner set forth in Article 29 of the Law of the Republic of Armenia “On Investment Funds”.

9. Responsibilities stipulated by parts 4 and 5 of this Article Registrar of participants may perform by information system through website or account operator.

10. Exchange of pension fund shares is prohibited if repurchase (redemption) of shares subject to exchange or issue of new fund shares is suspended:

1) by joint decision of the Central Bank and Republic of Armenia Government financial sector state responsible body, or

2) for the grounds defined by rules of fund in accordance with mandatory pension fund rules.

Meanwhile, rules of mandatory pension fund may only define grounds of suspension of repurchase (redemption) or issue of new fund shares defined by joint decision of the Central Bank and Republic of Armenia Government financial sector state responsible body. In cases provided by this point repurchase (redemption) or issue of new fund shares may be suspended for not more than 3 months period upon prior notification to the Central Bank and custodian on suspension of repurchase (redemption) or issue of new fund shares specifying grounds of suspension, as well as publish information within 3 days in newspaper with at least 3000 copies of circulation.

**CHAPTER 8**

**INVESTMENT OF MANDATORY PENSION FUND ASSETS**

**Article 41.** Principles of investment of mandatory pension fund assets

1. Assets of mandatory pension funds may be invested exclusively in accordance with the requirements of this Law, regulations adopted on the bases of this Law, as well as rules of given fund.

2. Aiming at ensuring maximum efficiency of investments for the interest of participants of mandatory pension fund component, investments of mandatory pension funds shall be based on the following principles:
1) security and profitability of assets,
2) risk diversification,
3) ensuring adequate liquidity.

3. Investment of mandatory pension fund assets for the purposes and based on principles other than those provided by part 1 and 2 of this Article shall be considered as violation of obligations of pension fund manager.

4. Pension fund manager shall introduce such system of risk management which will enable to supervise and evaluate risk of positions and their portion in average risks of pension fund. Requirements to risk management system are defined by regulations of the Central Bank.

**Article 42. Description of mandatory pension fund**

1. Mandatory pension funds are as follows:
   1) balanced fund, whose weight of equity securities and derivative instruments acquired for their hedging in the assets of funds shall not exceed 50% according to its rules;
   2) conservative fund, whose weight of equity securities and derivative instruments acquired for their hedging in the assets of funds shall not exceed 25% according to its rules;
   3) fixed income fund, whose assets, according to its rules, shall not be invested in equity securities and derivative securities based on them.

2. Pension fund managers are obliged to submit to the Central Bank for registration rules of fund for each mandatory pension fund, which shall, in addition to Republic of Armenia Law “On Investment Funds”, establish the following:
   1) procedure of issuance of pension fund managers’ shares and their redemption,
   2) order of calculation of programmed payment and their payment,
   3) order of redemption of pension funds and transfer of means acquired from redemption to the insurance company,
   4) procedures for making investment decisions related to the investments of pension funds. Each pension fund manager is obliged to propose at least conservative pension fund.

3. The Central Bank may adopt regulations which will provide for additional requirements for the pension fund managers.

4. Each pension fund of pension fund manager shall differ from other mandatory pension funds of same pension fund manager by at least 15% difference of permitted investments in equity securities.

5. Within the meaning of part 1 and 4 of this Article equity securities shall not include shares (stocks) of those investment funds, according to whose rules assets of fund may be invested only in bank deposits, debt securities or derivative instruments acquired for their hedging.

**Article 43. Permitted investments of assets of mandatory pension funds**

1. Assets of mandatory pension fund may be invested in the Republic of Armenia and in abroad.

2. Assets of mandatory pension fund may be invested in abroad in the following instruments:
   1) in deposits and banking accounts of financial organizations licensed and supervised by banking system supervisors of Organization for Economic Cooperation and Development (hereinafter OECD) or European Union (hereinafter EU),
   2) securities issued or fully guaranteed by OECD or EU states, OECD or EU Central Banks,
3) securities admitted to trade in regulated markets registered and supervised by OECD or EU capital market supervisory authority,
4) shares (stocks) of investment funds registered and supervised by OECD or EU capital market supervisory authority,
5) derivative instruments only for hedging purposes.
Central Bank regulations may stipulate minimum requirements for foreign issuers or securities issued by them, in which assets of mandatory pension fund may be invested.
3. Assets of mandatory pension fund may be invested in the territory of the Republic of Armenia in the following instruments:
1) banking accounts and deposits, if the given bank is not in insolvency (bankruptcy) proceedings,
2) securities issued or fully guaranteed by the Republic of Armenia or Central Bank,
3) securities admitted to trade in regulated market in the Republic of Armenia,
4) securities of investment funds supervised by the Central Bank,
5) derivative instruments only for hedging purposes.
Central Bank regulations may stipulate minimum requirements for companies registered in the Republic of Armenia or securities issued by them, in which assets of mandatory pension fund may be invested.
4. Assets of mandatory pension fund may not be formed from borrowings, except if borrowings are involved for up to 3 months redemption period and up to 10 % of assets of given pension fund and if limits provided by this Law are not violated in the event of involvement of borrowings.

Article 44. Limitations on investments in mandatory pension fund

1. Assets of mandatory pension fund may be invested in instruments provided in Article 43 of this Law only within the quantitative and currency limits defined by the Government of the Republic of Armenia.
2. Assets of mandatory pension fund may not be invested in the following instruments:
1) securities issued by pension fund manager and custodian, as well as persons affiliated to them,
2) securities issued by auditor of given pension fund,
3) securities issued by persons providing consultancy to given pension fund manager or custodian,
4) derivative instruments, except for investments for hedging purposes,
5) assets, whose alienation is prohibited or restricted,
6) immovable or other physical assets (works of art, commemorative coins, icons, antique items, precious metals, and other).
3. Securities included in the mandatory pension fund assets shall not be traded outside regulated market or alienated otherwise to:
1) custodian of given pension fund,
2) manager of given pension fund,
3) management bodies of given pension fund manager or custodian,
4) affiliates to persons provided in points 1-3 of this part.
4. Pension fund manager and custodian shall not provide each other borrowings or guarantee fulfillment of obligations.
5. Mandatory pension fund manager is obliged to undertake measures to make the investments compatible to the requirements of this Law, and ensure possible maximum profitability, maintain and save pension fund assets, if limitations provided based on part 1 of this Article is violated as a result of:
1) changes in market price, which were considered for asset valuation,
2) changes in foreign currency,
3) changes in economic and organizational relations between organizations in whose stocks are invested pension fund assets,
4) other circumstances out of pension fund manager’s control and will.
6. Adequacy of investments provided by this Law shall terminate no later than within 6 months starting from the day of violation or the violation became known in the result of valuation of assets.
7. Pension fund manager is obliged to implement rights on securities exclusively for the interests of participants.

CHAPTER 9

FEES FOR SERVICES

Article 45. Contributions on behalf of participant of mandatory pension fund and fees levied for mandatory pension fund assets and expenses

1. Pension fund manager shall levy fee (manager’s bonus) from mandatory pension fund assets for pension fund management in the amount stipulated by Article 47 of this Law. In addition to bonus stipulated by first paragraph of this part pension fund manager may cover expenses from pension fund assets for management of given pension fund, composition and maximum level of which is defined by the Central Bank with the agreement of the Republic of Armenia Government financial sector state responsible body. Deductions from assets of mandatory pension fund other than fees and expenses provided by this Law shall be prohibited.
2. Pension fund rules may stipulate fee for redemption of mandatory pension fund shares, except for cases provided by part 3 of this Article, which shall not exceed 1% of book value of redeemable shares.
3. Repayment fee for mandatory pension fund shares shall not be charged in case of receipt of cumulated means upon retirement as an annuity, programmed payment or lump-sum payment, as well as in the following cases:
   1) in case of exchange of pension fund shares by participant with other pension fund shares of same manager;
   2) exchange of pension fund shares for the grounds provided by part 7 of Article 32 of this Law;
   3) Transaction of exchange by the participant of his/her pension fund units with another pension fund units for the first time in the course of 12 months, with an exception of exchange of units of the fund where funds (a part thereof) have been purchased as a result of exchange of units in the course of the last 12 months. For the context of this clause:
      a) exchange for the first time also means the exchange of units with units of more than one pension funds in the course of 12 months, provided that an order (orders) for the exchange of units has/have been made to the Register of Participants within the same day; and
b) the calculation of exchange of units of the pension fund does not include the transactions of exchange of units of the pension fund that is managed by the same pension fund manager; 
4) exchange of first time of pension fund shares selected first time of participant (for participant) in accordance with this Law after opening pension account pursuant to Article 38 or 39 of this Law;
5) in case of first exchange agreement of inherited shares by heir in accordance with Chapter 12 of this Law.
6) In the event of the termination of pension fund, upon acquiring units of another mandatory pension fund from own funds of the participant.

**Article 46. Service fee of custodian**

1. Fees for services of mandatory pension fund custodian are levied in accordance with the contract with pension fund manager for the account of pension fund manager.

**Article 47. Bonus of mandatory pension fund manager**

1. Mandatory pension fund manager shall define by the rules of mandatory pension fund managed by him annual bonuses and order of their calculation necessary for the management of given fund.
2. The amount of annual bonus for mandatory pension fund shall not exceed 1.5% of net asset value of pension fund assets.

**Article 48. Fees for services of Registrar of participants**

1. Fees for services of Registrar of participants are charged in accordance with contract concluded with pension fund manager for the account of pension fund manager. Fees charged by the Registrar of participants must be economically grounded and ensure reasonable profitability for him.
2. Maximum amount of fee for Registrar of participants shall be defined by the contract between Republic of Armenia Government and Registrar of participants.
3. Fee shall be charged from participant or its heir for application provided by part 5 of Article 10 of this Law or on heritage submitted to the Registrar of participants by participants, which shall not be more than the sum of expenses and reasonable profitability.

**CHAPTER 10**

**GUARANTEE OF RETURN OF CONTRIBUTIONS OF MANDATORY PENSION FUND MADE BY PARTICIPANTS AND ITS PROCEDURE**

**Article 49. Guarantee of return of mandatory pension fund contributions made by participants**

1. Return of the total amount of mandatory funded contributions made by participants, as referred to in Article 5 of this Law, with adjustments of annual rate of inflation less respective management costs shall be guaranteed. The procedure on the annual inflation rate
adjustments to the total amount of mandatory funded contributions shall be determined by
the Government of the Republic of Armenia.
2. 20% of return of amount provided in part 1 of this Article shall be guaranteed by
Guarantee Fund established in accordance with this Law, and 80% shall be guaranteed by
the Republic of Armenia.

Article 50. Event of compensation of mandatory pension contributions

1. Event of compensation of mandatory funded contribution is the situation when the total
amount of book values of mandatory pension fund(s) shares available on person’s pension
account as of the day of receipt of application stipulated by Article 54 of this Law is less
than the amount stipulated in part 1 of Article 49 of this Law.
2. Compensation provided by this Chapter shall be made to each participant only once.

Article 51. Funds of Guarantee fund and guarantee contributions

1. Funds of guarantee fund are formed from guaranteed contributions provided by this Law,
income from their management, amounts received from the right to claim towards pension
fund managers acquired pursuant to part 5 of Article 52 of this Law, other income and funds.
2. Guaranteed contributions made by pension fund managers are cumulated on the amount
of guarantee fund opened with the Central Bank.
3. Funds of guarantee fund may be used exclusively for compensation of mandatory funded
pensions guaranteed in accordance and in the manner provided by this Law, and for other
operational and administrative expenses of guarantee fund management and for
implementation of capital investment program which are stipulated for Deposit Guarantee
fund by Republic of Armenia Law “On guaranteeing compensation of bank deposits”.
4. Annual administrative expenses of guarantee fund management and capital investments
shall not exceed 0.1% of collected guaranteed payments.
5. Managers of mandatory pension funds, except for managers of insolvent pension funds,
are obliged to pay to the Guarantee fund lump-sum and periodic payments in the order
provided by this Law. Order of calculation of guaranteed contributions is defined by the
Republic of Armenia Government.
6. Pension fund managers shall pay on their account lump-sum guarantee contribution in
amount of 15 million drams within 10 days upon receipt of authorization of pension fund
management.
7. Periodic guarantee payments are made quarterly until the tenth day of the month following
the given quarter. The amount of periodic guarantee contribution is calculated on a daily
bases for annually 0.02% of mandatory pension fund assets. Meanwhile, periodic guarantee
payments are made from mandatory pension fund assets.
8. Funds cumulated in the Guarantee fund are ownership of the Republic of Armenia.
9. If on the last day of reporting quarter funds of guarantee fund, except for loans,
borrowings, guarantees, grants, donations, endowment, exceed 2.5% of assets of mandatory
pension fund managed by all mandatory pension fund managers making guarantee
contributions, managers of pension fund shall not make periodic guarantee contributions.
Guarantee fund shall notify pension fund managers and Republic of Armenia Government
financial sector state responsible body thereon until the fifth day of the month following
reporting quarter.
10. In case of non-compensation of guarantee contributions interest shall be calculated on that amount in the amount of three fold of bank interest rate as of the date of payment of guarantee contribution.

**Article 52. Compensation of guaranteed funded contributions made by participants, exchange of information and supervision**

1. Registrar of participants shall adopt a decision on existence of compensation event within 5 days upon receipt of application provided in paragraph 2 of part 3 of Article 54 of this Law; within three days Registrar of participants shall inform the participant about existence (or absence) of compensation event and amount of difference provided by Article 50 of this Law.

2. Within 2 working days upon disclosure of compensation event the Registrar of participants shall notify thereon (including amount of difference provided by Article 50 of this Law) to the Republic of Armenia Government financial sector state responsible body and Guarantee fund in the manner defined by the Republic of Armenia Government by providing documents and information defined by the Republic of Armenia Government.

3. Where the fact of case of compensation has been ascertained, the Guarantee Fund shall within 5 (five) business days, upon receipt of documents and information specified in Clause 2 of this Article, apply to the Government’s state authorized body in the financial sector of the Republic of Armenia to receive its portion; where the portion is received, the Guarantee Fund shall transfer the difference of the amount as mentioned in Article 50 of this Law to the Register of Participants within 1 (one) business day.

4. When paying mandatory pension fund Registrar of participants shall add to the amount received from redemption of shares available on the pension account of participant the amount received pursuant to the part 3 of this Article. If upon receipt of the amount specified in part 3 of this Article the participant wants to receive the pension in the form of programmed payment shares of the pension fund shall be acquired for participant in the manner provided by Article 11 of this Law on the account of amount provided in part 3 of this Article, to which the participant has been making his contributions at the moment of submission of application provided by part 3 of Article 54 of this Law.

5. In case of compensation of mandatory pension fund contributions by adjusted annual inflation Republic of Armenia and Guarantee fund acquire regressive right towards pension fund manager in the amount of compensation and expenses for organization of compensation, unless the manager proves that he acted within the limits of his fiduciary duty.

6. Order and conditions of exchange of information between guarantee fund and Central Bank, as well as between Guarantee fund and Registrar of participants shall be defined by Central Bank regulations.

7. The procedures and terms for information exchange between the Guarantee Fund and the Government’s state authorized body in the financial sector of the Republic of Armenia as well as between the Register of Participants and the Government’s state authorized body in the financial sector of the Republic of Armenia shall be defined by the Government of the Republic of Armenia.

8. Supervision over activities of Guarantee fund manager provided by this Law, other Laws and regulations adopted on the bases of those Laws regulating activities of Guarantee fund manager, Guarantee Fund manager, as well as its director shall be carried out and sanctions

CHAPTER 11

MANDATORY FUNDED PENSION CONTRIBUTIONS

Article 53. Types of mandatory funded pensions

1. Types of mandatory funded pensions are as follows:
   1) annuities;
   2) program withdrawals;
   3) lump-sum payments.
2. Amount of funded pension shall be defined based on amount of shares of pension fund available on the pension account of participant and period of receipt of funded pension.
3. Registrar of participants and insurance companies shall use universal mortality charts for two genders for calculation of annuity and program withdrawals.
4. Funded pensions may be foreclosed in the manner prescribed by the Republic of Armenia legislation.

Article 54. Order of receipt of mandatory funded pensions upon reaching pension age

1. Participant of funded pension acquires right to pension if pension age is attained except for cases provided by this Law. Participant may dispose his/her mandatory funded pension in accordance with this Law regardless of receiving state pension.
2. In case of wish to receive mandatory funded pension the person wishing to receive funded pension shall submit to the Registrar of participants application to get statement on pension fund(s) shares available on pension account, their total book value, as well as monthly amount in case of converting funds of participant to equal monthly payments. Registrar of participants shall provide the participant with statement composed of information specified in the first sentence of this part within 3 working days upon receipt of application. Form of application submitted to the Registrar of participants by the participant, as well as form of statement provided by the Registrar of participants to the participant shall be defined by regulations of the Central Bank. Balance of pension account is established as of the day of participation in mandatory funded component until the day of submission of application to the Registrar of participants.
3. Participant may receive his/her mandatory funded pension in the following forms depending on general book value of pension fund(s) shares available on participant’s pension account:
   a) if funds of participant, converted into equal monthly payments in accordance with part 3 of Article 53 of this Law, monthly amount is less or equal to 75% of main pension, the participant is entitled to receive funded pension in form of annuities, program withdrawals or lump-sum payment,
   b) if funds of participant, converted into equal monthly payments in accordance with part 3 of Article 53 of this Law, monthly amount exceeds 75% of main pension, but is less than 5-
fold of pension participant is obliged to enter into annuity agreement in accordance with this Law in the amount received in a result of redemption of mandatory pension fund shares, c) if funds of participant, converted into equal monthly payments in accordance with part 3 of Article 53 of this Law, participant shall enter into annuity agreement in accordance with this Law ensuring 5 fold of main pension in the amount received from partial redemption of mandatory pension fund shares and the participant has right to get the rest in the form of annuities, program withdrawals or lump-sum payment.
Participant shall submit application on his/her selection to the Registrar of participants.
4. Right to annuity shall arise regardless of whether the participant receives or not annuity from other sources, state pension or subsidy.

Article 55. Transfer of fund of participant to the insurance company

1. Participant submits written application to the Registrar of participants notifying on selected insurance company, annuity agreement, as well as redemption of shares and transfer of funds resulted from redemption to the insurance company. Form of application, as well as list of attached documents shall be defined by Central Bank regulations.
2. Registrar of participant is obliged to inform mandatory pension fund manager about redemption claim and within 10 working days upon receipt of application provided by part 1 of this Article shall, jointly with pension fund custodian, organize redemption of shares available on participant’s account and transfer of amounts received therefrom to the insurance company specified in the participant’s application with the aim of purchasing annuity.
3. In case of non-transfer of funds to the insurance company within time period provided by part 2 of this Law, Registrar of participants shall pay to the participant penalty for each defaulted day in the amount of 0.01% of non-transferred amount. In case of payment of penalty provided in this part Registrar of participants shall have right to regressive claim to pension fund custodian, if default is the custodian’s fault.
4. Insurance company provides written notification to the participant entered into insurance contract with him on receipt of monetary funds and amounts thereof in accordance with part 2 of this Article within 7 days upon receipt.

Article 56. Types of annuities

1. Types of annuities are as follows:
1) annuities guaranteed for 5 or 10 years (hereinafter annuity guaranteed for defined period);
2) annuity of spouses guaranteed for 10 or 5 years.
2. Annuity guaranteed for defined period is paid for lifelong period, however if person dies before expiry of guaranteed 10 or 5 years (according to agreement) persons considered as heirs in accordance to the Law have right to get back from insurance company residual amount of guaranteed annuity.
3. Annuity of spouses is paid for lifelong period to the person on behalf of whom it is assigned. If both spouses die within guaranteed period their heirs receive the part of non paid amount provided by annuity agreement.
4. Obligation rights arising from annuity payment agreement shall not be pledged for guaranteeing execution of other obligations.
Article 57. Conclusion of annuity agreement

1. Insurance company is obliged upon annuity agreement to pay to the participant annuity against lump-sum monetary funds transferred to him in accordance with Article 55 of this Law. Insurance company is obliged to enter into annuity agreement with each participant who has selected any annuity (public agreement) of that insurance company.
2. Participant and insurance company enter into agreement of annuity payment taking into account requirements defined by this Law and regulations deriving from this Law.
3. In order to enter into agreement on annuity payment, the participant shall submit (in paper format or electronically) to insurance company statement provided by Registrar of participants pursuant to part 2 of Article 54 of this Law on total book value of pension fund shares available on participant’s pension account.
4. When entering into annuity agreement insurance company is prohibited from requiring from participant any information on his health condition or disease history.
5. Annuity agreement shall comprise:
   1) type of annuity,
   2) age of participant,
   3) amount of lump-sum payment transferred to insurance company,
   4) amount, timeframe and frequency of payment of annuity,
   5) grounds and conditions of termination of annuity agreement,
   6) responsibility for violation of terms of contract,
   7) other conditions provided by law and the Central Bank sub-laws.
6. In addition to essential terms provided by this Law and Central Bank regulations annuity agreement may at the discretion of parties contain other terms which do not contradict to this Law and Central Bank regulations.

Article 58. Termination of annuity agreement

1. Annuity agreement shall terminate upon death of person receiving annuity; in case of annuity agreement of spouses, upon death of second spouse, except for the case, provided by part 2 of this Article.
2. In the event of the death of persons receiving annuity during the guaranteed period, the annuity contract will be terminated, when the remaining amount as defined by the agreement is paid to heirs; in case the remaining amount is recognized as non-inherited, it will be transferred to the state budget.
3. In the event the insurance company fails to pay the annuity two subsequent and more times in the course of 12 months and in the event of two and more committed breaches of the annuity agreement, the participant receiving annuity or his/her spouse or any authorized person shall have the right to rescind the annuity agreement unilaterally while claiming the insurance company to reimburse the remaining amount and cover the loss caused.
4. In case of resolution of annuity agreement on the ground provided in part 3 of this Article residual amount of annuity shall be subject to transfer to another insurance company indicated by participant. Order of calculation of residual amount provided by this part and transfer to another insurance company shall be defined by Central Bank regulation.

Article 59. Programmed payment
1. In cases provided in sub-points “a” and “c” of part 3 of Article 54 funded pension may be paid in the form of programmed payment.
2. Programmed payment is a pension paid annually from partial redemption of pension shares available on the participant’s pension account distributed among months of life expectancy.

**Article 60. Lump-sum payment**

1. Where participant applies to receive pension in the form of a lump-sum payment, as provided for in sub-points (a) and (c) of Clause 3 of Article 54 of this Law, the Register of Participants shall make a lump-sum payment from redemption of units available on the participant’s pension account, within 10 (ten) business days, pursuant to the procedure jointly approved by the Ministry of Finance and the Central Bank of the Republic of Armenia.
2. Where the Register of Participants fails to make a lump-sum payment within the timeframe defined in Clause 1 of this Article, it shall pay to the participant a penalty sum, at 0.01 percent of the amount outstanding, for each day overdue. As the Register of Participants pays a penalty as provided for herewith, it shall have the right to make a retrospective claim to the custodian of the given pension fund, if the delay had been the custodian’s fault.

**Article 60.1. The claim of the participant to receive all funds (means) in the mandatory pension account**

1. The participant has the right at any time, including before pension age, claim receiving all funds (regardless of their size) existing in the mandatory pension account (including the pension which is paid in the form of program withdrawals, based on the application submitted by the participant in the past), if one of the following conditions appears:
   1) the participant is recognized in the manner established by legislation as a person having the third degree of disability in terms of engaging in employment activities;
   2) on the basis of conclusion issued by authorized entity recognized as such by the Government of the Republic of Armenia that the participant suffers with any high-risk serious sickness and incurable diagnoses of vital organs;
   3) the participant is leaving abroad for permanent residence and the citizenship of the Republic of Armenia is terminated;
   4) Foreign citizens who were working in Armenia depart to their country of permanent residence.
2. In case of existence of any of these grounds the participant shall submit the application by attaching appropriate supportive documents.
3. Units in the pension account of the participant shall be redeemed and respective funds (means) paid to the participant in accordance with article 60 of this law, within 10 business days after receiving of the application and supportive documents, except for the cases, stipulated by clause 4 of this law.
4. Funds, which are formed due to redemption of units of the pension account of that participant before pension age, shall be transferred to the funded pension system of that foreign country in accordance with the rules and conditions set by the Government of the RA. If the participant does not participate in any funded pension system of foreign country,
or the transfer of funds is objectively impossible, then the participant can receive his/her money only in the manner stipulated in by Article 54 of this Law.

CHAPTER 12

INHERITANCE OF PENSION FUND SHARES AND ANNUITY

Article 61. Inheritance of pension fund shares and annuity

1. Relations pertaining inheritance of pension fund shares and annuity shall be regulated by this Law and Republic of Armenia Civil Code.
2. Pension fund units and the remaining amount of annuity can be transferred, under the inheritance procedure, to natural persons only and to the state budget of the Republic of Armenia, if such fund units/remaining amount of annuity have been judicially recognized as non-inherited.
3. Both pension fund shares available on pension account of participant who died before receipt of funded pension and shares and annuity subject to inheritance of a pensioner who died during the period of receipt of funded pension.
4. In case of participant’s death pension fund shares available on his account shall be transferred to the pension account of his heir or shall be redeemed in accordance with this Law and paid to the heirs who received heritage in the form of lump-sum payment. Meanwhile, if the total book value of shares subject to inheritance and available on the pension account of dead participant:
   1) is less than 25-fold of main pension, shares must be redeemed and received amount shall be paid to the heirs in the form of lump-sum payment;
   2) is more than 25-fold of main pension, shares must be redeemed in the amount of 25-fold of main pension and amount received from redemption must be fully paid to heir and the amount in excess shall be transferred to the heir’s mandatory funded account if the latter is participant of mandatory funded component. If the heir wishes to exchange inherited shares with the shares available on his account, he shall fill in and submit to the Registrar of participants application provided by part 1 of Article 62 of this Law.
5. If heir of dead participant is not a participant of mandatory funded component, the Registrar of participants is obliged to open pension account and transfer inherited pension fund shares to that pension account regardless of heir’s age. Since that moment the heir shall acquire all rights, bear all responsibilities of participant stipulated by this law, except for obligation to make mandatory funded contributions. If heir is not a citizen of the Republic of Armenia and does not have pension account opened with Registrar of participants he shall receive the amount in the manner provided by this Law in the form of lump-sum payment.
6. Pension of dead pensioner subject to inheritance shall be paid to the heirs in the amount provided by Law in the form of lump-sum payment. Order of inheritance of annuity from insurance company and form of application is defined by Central Bank regulation.
7. If the deceased participant has no heirs or none of the heirs applied to the Register of Participants claiming ownership over the units of the deceased participant within 3 years after death, the Register of Participants must notify this in writing to the Government’s state authorized body in the financial sector of the Republic of Armenia.
Fund units of the deceased participant can be recognized judicially as non-inherited 3 years after death, on a basis of the statement issued by the Government’s state authorized body in the financial sector of the Republic of Armenia. Fund units recognized as non-inherited shall be redeemed and proceeds generated therefrom transferred to the state budget of the Republic of Armenia by the Register of Participants.

8. Provisions of Clause 7 of this Article shall also apply to the circumstances where no money has been debited from the participant’s funded pension account or no redemption order has been given in the course of 10 years after the retirement age had been reached.

**Article 62. Order of inheritance of pension assets**

1. Within one year upon receipt of certificate of inheritance the heir shall submit to the Registrar of participants application on redemption of inherited pension shares of pension fund and receipt of amount resulted from redemption in the form of lump-sum payment in the manner provided by this Law or transfer of inherited shares to his pension account in the manner provided by Law. Heir shall submit copy of certificate of inheritance together with application.

2. Application provided by part 1 of this Article may be submitted in paper format or electronically. Form of application shall be defined by Central Bank regulation. Application provided by part 1 of this Article shall comprise following information:
   1) name, surname, serial number of passport of heir,
   2) number of public service of heir or number of statement on absence of public service, except for cases when person is a foreigner and is not a participant of mandatory pension component,
   3) contact information of heir (phone number, e-mail address and other),
   4) preferred mean (letter, electronic message and other) of receipt of information from Registrar of participant,
   5) name and surname of inheritor,
   6) number of public service of inheritor or number of statement on absence of public service,
   6.1) choice of the form by which fund units shall be inherited (transfer to the heir’s pension account or redemption) and the amount (of each form);
   7) **(clause 7 is revoked)**
   8) **(clause 8 is revoked)**
   9) certification on requiring redemption of shares and lump-sum payment of funded assets by providing with requisites of personal bank account,
   10) requisites of certificate of inheritance,
   11) date (year, month and day) of submission of application,
   12) signature of heir (heir’s authorized representative), except for submission of application electronically, which ensures identification of person.

If heir applied for transfer of all inherited shares of pension fund to his pension account pursuant to this Law information provided by point 9 of this part shall not be filled in.

3. Application provided by part 1 of this Article may not be withdrawn or amended.

4. **(point 4 is revoked)**

5. After submission of application provided by part 1 of this Article Registrar of participants shall organize transfer of shares of pension fund to heir’s pension account and/or redemption of pension shares of pension fund and lump-sum payment of funds received from redemption within 10 working days upon receipt of application. [Pension units shall be
bought back (redeemed) at the price last calculated and published for that particular unit, as required by Article 29 of the Law of the Republic of Armenia “On Investment Funds”.

6. In case of failure of submission of application provided by part 1 of this Article within defined timeframe pension assets shall remain under the same pension fund manager’s management for 3 year period. Where an application, as referred to in Clause 1 of this Article, is not filed in the course of 3 (three) years, the pension fund units can be recognized judicially as non-inherited on a basis of the statement issued by the Government’s state authorized body in the financial sector of the Republic of Armenia. Where recognized as non-inherited, the units shall be redeemed and proceeds generated from the redemption shall be transferred to the state budget of the Republic of Armenia.

**Article 63. Refusal of application for inheritance of shares of pension fund**

1. The Register of Participants shall be entitled to turn down the application filed in compliance with Article 62 of this Law, provided the application has not been filed in accordance with provisions of the Article 62, Clause 2 or requirements of the Central Bank normative regulation.

Registrar of participants shall notify in writing to the heir who submitted application on refusal of application and the reasons thereof.

2. Where the application specified in Article 62 of this Law has been filed to the Register of Participants and turned down because of insufficient ground, the heir shall re-file an application that complies with the established requirements.

**CHAPTER 13
VOLUNTARY FUNDED PENSION COMPONENT**

**Article 64. Principles of activity of voluntary funded pension component**

1. Voluntary funded component of pension system of the Republic of Armenia is based on the following principles:
   1) voluntary participation of legal and natural entities,
   2) provision of tax privileges in case of participation in voluntary funded component.

2. Following types of voluntary funded pensions schemes shall exist:
   1) defined pensions;
   2) funded pension deposits;
   3) defined pension contributions.

**Article 65. Implementing activity of voluntary funded pension**

1. Only voluntary pension fund (pension fund managers), banks and insurance companies shall have right to offer voluntary funded pension schemes in the territory of the Republic of Armenia.

2. As a subject of voluntary pension agreement may be an employer who enters into voluntary funded pension agreement on behalf of its employees, as well as natural person who is entitled to enter into voluntary funded pension agreement for him or on behalf of other persons.

3. Voluntary funded pension funds are obliged to establish rules for voluntary funded funds which shall comprise amount of voluntary funded contribution, amount of share redemption.
payment, timeframes and frequency for making contributions, timeframe and frequency of payment of pensions, as well as other conditions stipulated by Central Bank regulation.

4. Rules of voluntary funded pension schemes may be amended only for future period and they shall not deteriorate conditions of funded pensions of participants/beneficiaries.

5. Person may simultaneously participate in more than one voluntary scheme.

6. Person shall acquire the right to voluntary pension after attaining pension age, except in cases defined by part 7 of this Article.

7. Before the retirement age is reached, the participant shall be entitled to receive any time his/her funds (pension fund units (shares), deposit amount, including interest, insurance premium paid, and other indemnification less costs related to insurance contract signing and processing) in the form of a lump-sum payment, provided that at least two years have passed from the date on which the participant first made a funded contribution to the pension fund, placed a deposit with the bank or paid a premium to the insurance company, except for the circumstances, as referred to in Article 74 of this Law.

8. For a lump-sum payment under Clause 7 of this Article, the contract may provide for a larger sum of redemption, penalty and/or smaller interest, except when such requirement has been put forward in the following circumstances below:

1) the participant has been recognized under law as having a third degree of disability;

2) the participant is in extremely bad health condition and is terminally ill with vital organs incurable, which is certified by the conclusion issued by state authorized body in the health system of the Republic of Armenia;

3) the resident of the Republic of Armenia heads for a foreign country for permanent residency and his/her citizenship has been terminated;

4) the foreign participant residing in the Republic of Armenia returns his/her home country;

5) the voluntary pension fund has been terminated (liquidated) and the participant has not filed an application claiming a purchase of units (shares) of another voluntary pension fund, as provided for in the Law of the Republic of Armenia “On Investment Funds”;

6) the bank or insurance company is in liquidation, or the insurance company has transferred its insurance portfolio to another company;

7) more than 10 (ten) years have passed from the date on which the participant first made a funded contribution to the pension fund, placed a deposit with the bank or paid a premium to the insurance company;

9. The Central Bank normative regulation may establish a ceiling for the amount of redemption and payment of penalty and/or interest, as provided for in Clause 8 of this Article.

**Article 66. Provision of mandatory funded pensions by insurance companies**

1. Insurance companies may offer only “defined pensions” scheme.

1.1 Except for the cases provided for in Article 74 of this Law, the policyholder under a funded voluntary pension insurance contract shall be entitled to claim, any time, an assignment of the insurer duty to another company at his/her choice, thus transferring to that company all premiums paid less costs relating to signing, processing and transfer of the
insurance contract. The transfer of premiums as referred to herewith shall not be treated as a lump-sum receipt by the participant.

2. Person may receive voluntary pension from insurance company in the following form:
   1) lump-sum payment;
   2) life time or term payments.

3. Insurance company is obliged to have an actuary with qualification defined by the legislation of the Republic of Armenia or conclude contracts for actuary services.

4. Disposal and use of funds of voluntary funded pension by insurance company is executed in accordance with the Republic of Armenia Law “On Insurance and Insurance Activities”. Central Bank regulations may define requirements for technical provisions and investments of companies offering “defined pensions” scheme.

5. Insurance companies shall pay pensions in accordance with this Law and voluntary funded pension (annuity) agreement. Central Bank may define by its regulations requirements for voluntary funded pension (annuity) agreement, as well as for agreement between employer and insurance company as provided by Article 74 of this Law whose inclusion in agreements is the obligation of insurance company.

6. Annuity of dead pensioner subject to inheritance shall be paid to heirs in the form of lump-sum payment in the amount provided by Law and annuity agreement. Annuity agreement shall define order and form of application for receipt of annuity inheritance from insurance company.

Article 67. Provision of voluntary funded pensions by banks

1. Banks may offer only “funded pension deposits” voluntary funded pension schemes.
   1.1 The participant shall be entitled to claim, any time, to transfer his/her funded pension deposit amount or a part thereof from the bank to the funded pension deposit amount with another bank. The maximum fee chargeable by the bank for the transfer as referred to herewith shall be determined by the Central Bank, and such fee shall be determined in consideration of the timing with which the participant is engaged in the funded pension scheme as delivered by the transferor bank.
   1.2 When in liquidation, before a lump-sum payment of the funded pension deposit amount to the participant, the bank must duly suggest in writing about making a free of charge transfer of that amount to the funded pension deposit amount which the participant opened with another bank. Where the participant makes no response to the bank’s suggestion as referred to herewith within 10 (ten) business days upon such suggestion made by the bank, the funds shall be paid lump-sum to the participant.
   1.3 The transfer of the funded pension deposit amount as referred to sub-clauses 1.1 and 1.2 herewith shall not be treated as a lump-sum receipt by the participant.

2. Participant may receive voluntary pension from bank in the following forms:
   1) lump-sum payment;
   2) term periodic payments.

3. Upon attainment of pension age participant is entitled to require from the bank total or partial transfer of amount of pension deposit with the aim of entering into annuity agreement. Bank shall make full or partial non cash transfer of funded pension deposit to the insurance company indicated by participant within timeframe and in the order provided by funded pension deposit agreement but no later than within 10 working days upon receipt of application by participant.
4. Banks shall pay pensions in the manner provided by this Law and funded pension deposit agreement. Central Bank may define by its regulations mandatory requirements for voluntary funded pension deposit agreement whose inclusion in agreement is the bank’s obligation.

5. Heir of dead participant is entitled to require at any time from bank full or partial amount of funded pension deposit by submitting application provided by deposit agreement and certificate of inheritance. Bank is obliged to return the amount of funded pension deposit or its residual part to the heir of dead participant upon its first request.

**Article 68. Provision of voluntary funded pensions by voluntary pension funds**

1. Voluntary pension funds (pension fund managers) may offer only “defined pension contributions” schemes.

2. By making voluntary funded contribution person acquires shares of voluntary pension in the quantity equal to the contribution based on the subscription price of pension fund share. Acquired shares certify the share right of participant towards assets of that fund.

3. Participant of voluntary pension fund may exchange his shares only with shares of other voluntary pension fund. Participant of pension fund is entitled to exchange his shares of voluntary pension fund (previous pension fund) with shares of that pension fund other voluntary pension fund managed by other manager of pension fund (new pension fund) through submission of application to the previous pension fund manager. Previous pension fund manager shall organize jointly with custodian redemption of shares belonging to participant and transfer of funds to new pension fund in the manner and within timeframe provided by rules of pension fund but no later than within 10 working days upon receipt of application by participant.

4. Units of voluntary pension funds managed by different fund managers shall be exchanged at redemption price set for the day (hour) for which an exchange order has been made and at underwriting price set for the day (hour) for which new units have been underwritten. Units of voluntary pension funds shall be repurchased (redeemed) at the price of repurchase of that particular unit, first calculated and published as of an order to repurchase (redeem) these, in a manner set forth in Article 29 of the Law of the Republic of Armenia “On Investment Funds”. Units of voluntary pension funds shall be underwritten at the price of underwriting of that particular unit, first calculated and published as of an order to purchase these, in a manner set forth in Article 29 of the Law of the Republic of Armenia “On Investment Funds”, unless operational rules (charter) of the voluntary pension fund specify that funds shall be underwritten at the price of underwriting of that particular unit, last calculated and published as of an order to purchase these, in a manner set forth in Article 29 of the Law of the Republic of Armenia “On Investment Funds”.

5. If redemption (repurchase) of shares of previous pension fund subject to exchange according to part 3 of this Article is suspended, exchange shall be effected immediately after termination of suspension period of redemption (repurchase) of shares. If public offering of shares subject to acquisition in the result of exchange of shares is suspended manager shall refuse the application specified in part 3 of this Article by informing the participant about grounds of refusal.

6. Rules of voluntary pension funds may define maximum period of participation in pension fund, upon expiration of which the participant may require exchange (next exchange) of
acquired shares in pursuant to part 3 of this Article. Period provided by this part shall not exceed 2 years.

7. In order to receive pensions from pension fund, as well as in cases provided by part 10 of this Article participant shall submit an application to the respective pension fund manager. Form of application and information included therein shall be defined by pension fund rules.

8. Pensions shall be paid by voluntary pension funds in the manner and terms with this Law, Central Bank regulations and rules of voluntary pension fund.

9. Participant may receive pension from pension fund in the following forms:
   1) lump-sum payment;
   2) Regular payments; moreover, units (shares) of the pension fund redeeming in the form of regular payments shall not be in excess of 10 percent of the participant’s units (shares) of any particular pension fund upon making the first regular payment for the quarter, whereas the timeframe within which regular payments on the voluntary pension fund are to be made shall not be less than 3 years.

10. Participant shall have right upon attainment of pension age to require redemption of voluntary pension fund shares and full or partial transfer of amounts received from redemption to the insurance company aiming at entering into annuity agreement. Redemption of participants’ shares and transfer of proceeds received from redemption to the insurance company indicated by participant shall be organized by given pension fund custodian upon receipt by participant of application provided by part 7 of this Article. In case of redemption of shares and full or partial transfer of proceeds received from redemption to the insurance company as specified in this part, pension fund shall not make to the participant any payment relating to the amount transferred to insurance company.

11. In the event of death of pension fund participant the heir shall be entitled to submit an application to the pension fund manager on redemption and receipt of full amount of proceeds received from redemption. Heir shall submit copy of certificate of inheritance together with application. Form of application and order of submission shall be defined by pension fund rules.

12. Upon submission of application provided by part 11 of this Article pension fund manager is obliged to implement redemption of pension fund shares and full payment of proceeds received from redemption within 10 working days upon receipt of application.

13. Pension fund manager shall charge premium from pension fund assets for pension fund management within the amount and in manner provided by pension fund rules.

14. Maximum amount of payments made in the account of pension fund assets (including manager’s premium provided by part 13 of this Article, as well as custodian’s premium), as well as directions and maximum amounts of expenditures for the management of pension fund made in the account of pension fund assets shall be defined by Central Bank in agreement with Republic of Armenia Government financial sector state responsible body.

15. The pension fund rules, except for the cases of redemption of pension fund units in receipt of pension, termination (liquidation) of pension fund and assignment of management of pension fund to another pension fund manager without the manager’s consent, may define fees for redemption of pension fund units, which should be directly stipulated by the rules of the given pension fund, and may not exceed the size approved jointly by the Central Bank and the Government’s state authorized body in the financial sector of the Republic of Armenia.

**Article 69. Personalized recordkeeping in “Defined pension contributions”**
voluntary funded pension scheme

1. Voluntary pension funds shall keep personalized records on each beneficiary/participant in accordance with principles defined by points 1, 3 and 4 of Article 5 of Republic of Armenia Law “On Income Tax and Personalized recordkeeping of funded contributions”.
2. Pension account shall be opened for each participant of “Defined pension contributions” scheme, where pension fund shares of participant shall be recorded.
3. Voluntary funded pension fund is obliged to periodically but not less than annually provide participant with data about his account for preceding calendar year within timeframe and in the manner provided by pension fund rules.
4. Annual data stipulated by part 3 of this Article shall be provided to participant in paper format if participant has not indicated other preferred option.
5. Annual data for the previous year stipulated by part 3 of this Article shall be provided to participant free of charge no later than on April 15th of the following year.

Article 70. Principles of investment of voluntary pension fund assets

1. Assets of voluntary pension fund may be invested exclusively according to this Law, regulations adopted on the bases of this Law and pension fund rules.
2. For the purpose of maximizing efficiency of investments on behalf of participants of voluntary funded component of “defined contributions” scheme investments of voluntary pension fund should be based on following principles:
   1) security and profitability of voluntary funded pension fund assets,
   2) risk diversification,
   3) ensuring adequate liquidity.
3. Investment of voluntary funded pension assets in “defined contributions” scheme for purposes and principles other than those specified in parts 1 and 2 of this Article shall be regarded as violation of obligations by pension fund manager.
4. Pension fund manager is obliged to implement risk management system which will enable to control and assess at any point of time position risks and their portion in general risks of pension fund. Requirements to risk management system shall be defined by Central Bank regulation.

Article 71. Authorized investments of voluntary pension fund assets

1. Assets of voluntary pension fund may be invested in the Republic of Armenia and abroad.
2. Assets of voluntary pension fund may be invested in the Republic of Armenia in the following assets:
   1) bank accounts and deposits, provided the bank is not in insolvency (bankruptcy) proceeding,
   2) securities issued or fully guaranteed by the Republic of Armenia, Central Bank and Republic of Armenia communities,
   3) securities admitted to trade in regulated markets operating in the Republic of Armenia,
   4) securities of those investments funds who are supervised by Central Bank,
   5) derivative instruments only for hedging purposes.
3. Assets of voluntary pension fund may be invested in the following instruments:
1) Deposits and bank accounts of financial organizations authorized and supervised by banking system supervisor of OECD or EU member states,
2) securities issued or fully guaranteed by Central Banks of OECD or EU member states,
3) securities issued or fully guaranteed by communities of OECD or EU member states,
4) securities admitted to trade in regulated market authorized and supervised by capital market supervisor of OECD or EU member states,
5) shares (stocks) of investment funds authorized and supervised by capital market supervisor of OECD or EU member states,
6) securities of Russian Federation which comply with the requirements of Central Bank,
7) derivative instruments for hedging purposes.

Central Bank may define list of other states where assets of voluntary pension fund may be invested.

**Article 72. Restrictions on investment of voluntary pension fund assets**

1. Assets of voluntary pension fund may be invested in financial instruments listed in Article 71 of this Law within quantity and currency limits defined by the Republic of Armenia Government.
2. Assets of voluntary pension fund shall not be invested in the following instruments:
   1) securities issued by manager and custodian of that pension fund, as well as persons affiliated to them,
   2) securities issued by auditor of that pension fund manager or custodian,
   3) securities issued by persons providing consultancy services to manager or custodian of that pension fund,
   4) derivatives, except for investments for hedging purposes,
   5) assets whose alienation is prohibited or restricted,
   6) real estate or other physical assets (works of art, collective coins, antiquities, icons, precious metals and other).
3. Securities included in assets of voluntary pension fund shall not be sold out of regulated market or alienated in any form to the following persons:
   1) custodian of that pension fund;
   2) manager of that pension fund;
   3) members of management board of that pension fund manager or custodian;
   4) persons affiliated to persons indicated in points 1-3 of this part.
4. Pension fund manager and custodian may not provide each other borrowings or guarantee execution of obligations.
5. Pension fund assets may not be pledged or used as guarantee of obligation. Requirement provided by this part shall not restrain from the right to enter into repo (reverse-repo) agreement if it is provided by pension fund rules (statute) and if thresholds stipulated by this Law are not violated in the result of such transactions. Manager of voluntary pension fund may involve short term borrowings with at least 3 months redemption period in the amount not exceeding 10% of that voluntary pension fund assets if thresholds stipulated by this Law are not violated in the result of such transactions.
6. Manager of voluntary pension fund shall take measures to make the investments of pension fund compatible with the requirements of this Law and ensure possible maximum profitability, keep and save assets of pension fund if provisions of parts 1, 2 or 3 of this Article are violated as a result of:
1) changes in market prices, which served as a ground for evaluation of assets,
2) changes in foreign exchange rates,
3) changes in economic and organizational relations between companies, in whose shares assets of pension fund are invested,
4) other circumstances out of pension fund manager’s will and control.
7. Compliance of investments provided by this Law shall be finalized no later than within 6 month starting from the day when the violation was committed or violation was disclosed in the result of asset evaluation.
8. Pension fund manager is obliged to implement rights on securities included in assets of pension fund acting exclusively in the interest of participant.

Article 73. Licensing of voluntary funded pension activity

1. Banks, insurance companies, voluntary funded funds (pension fund managers) may offer voluntary funded pension schemes based on license issued by Central Bank in accordance with Republic of Armenia Laws “On Banks and Banking Activities”, “On Insurance and Insurance Activities”, and “On investment funds”.

Article 74. Supplementary pensions (corporative) subject to acquisition by employer

1. Employers may acquire voluntary pension schemes from insurance companies or voluntary pension funds aimed at providing supplementary pensions (corporative) to their hired employees.
2. Employer should avoid discriminatory approach when providing supplementary pension to his employees. Corporate (supplementary) pension may be offered to whole personnel or certain category of employees (including, depending on quantity of years of work with the employer). It is prohibited to pay supplementary pension to the management of employer. Equal and similar conditions should be provided to all employees within certain category of employees.
3. Employer is prohibited from entering into agreement provided by part 1 of this Article with insurance company or pension fund manager affiliated to him.
4. Acquisition of supplementary funded pension scheme provided by employer may be defined also by collective employment agreement.
5. In order to receive supplementary (corporate) pension fund funded contributions may be made only by employers or employers and employees.
6. It is prohibited to oblige participant to participate or continue participation in voluntary pension scheme acquired by employer as a requirement for working with that employer. It is prohibited to make deductions or allocations relating to participation in voluntary pension scheme from the salary of employee without written consent of employee.
7. Before the retirement age is reached, the participant of the voluntary pension scheme shall be entitled to present a claim for a lump-sum payment of his/her funded contributions (net asset value of own units (shares), insurance premiums paid, other indemnification less costs relating to the signing and processing of the insurance contract) only under the circumstances set forth in sub-clauses 1-6 of Clause 8 of Article 65 of this Law as well as sub-clauses 1 and 3 of Clause 8 of this Article, provided that at least two years have passed from the date on which the first funded contribution was made.
8. The participant of the voluntary pension scheme shall obtain the right as provided for in sub-clause 1.1 of Article 66 or Clause 3 of Article 68 of this Law after:
1) an employment contract shall have been annulled;
2) a contract signed between the employer and the pension fund manager or insurance company shall have been annulled; and/or
3) the employer shall have been liquidated.

Article 75. Transfer of pension fund shares cumulated on pension account

[Article 75 is revoked]

CHAPTER 14

LIABILITY FOR VIOLATION OF THIS LAW

Article 76. Liability for non-payment or delayed payment of mandatory funded contributions

1. Persons responsible for making mandatory funded contributions pursuant to this Law shall be liable for non-payment or delayed payment of funded contributions. In case of delay with payments of contributions within defined timeframe participant of mandatory funded component (person responsible for making mandatory contributions for him, i.e., tax agent) shall pay a penalty in the amount of 0.15% of unpaid mandatory contribution for each overdue day.
Penalty provided by this part shall apply to delayed mandatory funded contributions for the whole defaulted period but no more than for 365 days period.
At the expense of penalties contributed for non-payment or delayed payment of mandatory funded contributions shares of pension fund shall be acquired to which participant(s) make mandatory funded contributions for whom mandatory funded contributions has not been paid or payment has been delayed.

2. In case of delays with payment of funded contributions, Tax Authority shall, with the exception of cases as defined by the Government of the Republic of Armenia, file a petition to the court under the law of the Republic of Armenia to recognize the employer as being insolvent, within 183 days from the date defined for the payment due. Moreover, Tax Authority shall not decline from filing such petition until the full payment of overdue funded contributions.

3. If the liability non-performed in respect of funded contributions comprises AMD 500,000 or more, the head of Tax Authority shall be entitled under the law to exercise a lien on the property of the person in charge of making such funded contributions.
A lien exercised by the Tax Authority is an action to restrict property rights of the person in charge of making funded contributions to make sure a liability to pay is performed. A lien is exercised through seizure of bank account and restricting possession or use of property to the extent of funded contributions due.
A lien shall be exercised with regard to the property of the person in charge of making funded contributions, regardless of who that property is with. A lien cannot be exercised with regard to the property which is immune to seizure under the law or the period within which it is retained is shorter than one year at the time the lien is exercised. A lien cannot be
exercised with regard to bank, deposit or pension accounts and monetary funds of banks, payment and settlement organizations, investment funds, including pension funds and insurance (reinsurance) companies.

A lien exercised with regard to the property shall involve a statement that contains name, position of the official who has issued the statement, date of issue of the statement, the authority which has issued the statement and name(s) and position(s) of person(s) who shall exercise the lien, name, taxpayer identification number of the person in charge of making funded contributions (the public service number, if natural person) as well as the extent of liability non-performed and legal grounds to exercise a lien. A copy of the lien shall be made available to the person in charge of making funded contributions.

4. A decision to exercise a lien on the property of the person in charge of making funded contributions shall be taken within 3 (three) business days after the statement of lien shall have been issued. The decision shall have all required constituents and contain all necessary reference to the laws or other regulations which the decision maker used to come to an appropriate conclusion

5. In the event the property lacks or is insufficient, or location of the person in charge of making funded contributions is unknown, a respective protocol will be drawn up. A template to the protocol shall be the competence of the head of Tax Authority.

6. Each time a lien is exercised, it shall be designed to consider type, degree of restriction, physical properties of the item of lien as well as the importance it plays to the owner or possessor of the property, and the amount of liability. Book value of the property shall be admitted as the value of the property.

7. In the meanwhile though, the person in charge of making funded contributions shall be advised of the possibility of criminal responsibility should that person waste, sell off, hide or hand the property or part thereof under lien over to another person illegally.

8. The decision shall be binding to officials of all government departments, local governments and organizations and citizens and must be implemented in the whole territory of the Republic of Armenia. The copy of the decision shall be made available to the person in charge of making funded contributions and to other parties concerned not later than the next day.

9. The official in charge of exercising the lien cannot prohibit the person’s representative to participate in the lien process. For the context of this Article, a representative of the person in charge of making funded contributions is the person whose authorities have been endorsed through a procedure as prescribed by the Civil Code of the Republic of Armenia.

10. A lien shall be exercised in the timespan 8:00 am to 6:00 pm.

11. Once not less than 20 percent of the liability on funded contribution has been performed, the head of Tax Authority shall be entitled to secure a ‘repayment schedule’ with the person in charge of making funded contributions, which can be for a period of 2 to 6 months. Moreover, if in the process of lien, the person in charge of making funded contributions applies for signing a repayment schedule and provides good reason that the exercise of the lien is threat to his/her activities, the head of Tax Authority shall enter into a gradual repayment schedule therewith. An authority to secure a repayment schedule can be delegated to another official of Tax Authority.

12. A decision on the lien over property shall be treated as rescinded in the following circumstances:
   a) a liability on making mandatory funded contributions, as overseen by Tax Authority, terminates;
b) a court suit has not been made with regard to levying the liability by Tax Authority within 1 month after such levy has been exercised;

c) a gradual repayment schedule has not been signed with the person in charge of making funded contributions; or

d) a decision has been made with regard to petition to secure the claim.

13. Administrative appeal procedure with regard to the decision on the lien over property shall not suspend the execution of the decision.

14. Wasting, sell-off, hiding, handing over to another person illegally, deteriorating and destroying of the property under lien is prohibited.

15. The official responsible for exercising lien over the property shall deliver such property to the person in charge of making funded contributions for safe custody. Where the person in charge of making funded contributions attempts to waste, sell-off, hide, hand over to another person illegally, deteriorate or destroy the property under lien, safe custody of that property shall be delegated to a company specialized in doing so, on a basis of a contract to be signed therewith. Costs relating to safe custody shall be covered by the person in charge of making funded contributions.

16. Where actions of the official responsible for exercising lien over the property are blocked, the official shall resort to law enforcement authorities for support, in order to proceed with exercising the lien.

17. Where liabilities non-performed with regard to making mandatory funded contributions are to be levied, Tax Authority shall be entitled to obtain, under a cession of right, ability to claim from the debtor and use proceeds generated to repay the liabilities on mandatory funded contributions.

18. Moreover, cession of rights shall provide Tax Authority with ability to possess the right to claim, in full volume of the liability (including any arrears and penalty).

19. Tax Authority and the person in charge of making mandatory funded contributions may sign a collateral contract to secure any and all obligations in respect of making such mandatory funded contributions, as overseen by Tax Authority. Where such a collateral contract is signed, a gradual liabilities repayment schedule will be set up.

**Article 77. Liability of pension fund manager, custodian, account operator and Registrar of participants**

1. Pension fund manager, custodian, account operator or Registrar of participants shall act in good faith in the interest of participant. They are obliged to act within reasonable limits in financial and similar issues with the experience of well-informed person. In the lack of such experience they shall use the services of specialists.

2. In case of outsourcing their functions pension fund manager, custodian, account operator or Registrar of participants shall continue to bear responsibility for dully and in good faith implementation of outsourced functions.

3. Central Bank may impose sanctions provided by this Chapter on pension fund manager, custodian, account operator or Registrar of participants, if they:

   1) implemented or permitted investments or expenditures in violation of this Law;
   2) entered into contracts of supply of goods or provision of services in violation of this Law;
3) has not fulfilled or unduly fulfilled obligations set forth by agreements relating to mandatory pension fund assets;
4) entered into agreement with affiliated persons within the framework of relations prohibited or restricted by this Law;
5) has used mandatory pension fund assets or information thereon for himself or on behalf of persons affiliated to him;
6) has violated rules of personalized record keeping, order and requirements of submission and publication of financial and other reports or provided false, incomplete or inaccurate data;
7) has not fulfilled or has unduly fulfilled the instruction of the Central Bank;
8) for state registration and/or licensing has submitted to the Central Bank unreliable, false or incomplete information;
9) has violated requirements of this Law and other regulations adopted based on this Law.

Article 78. Liability of managers of pension fund manager, account operator, custodian and Registrar of participants

1. Directors of pension fund manager, custodian, account operator and Registrar of participants shall act in the interest of participants, implement their rights and fulfill obligations in good faith and with prudence.
2. Directors of pension fund manager, custodian, account operator and Registrar of participants are liable for damage caused to participants by their deliberate actions (omissions) in accordance with the Republic of Armenia legislation. If actions which has caused damages were done by more than one director of pension fund manager, custodian, account operator and/or Registrar of participants they shall carry joint liability towards participants.
3. Liability of directors of pension fund manager, custodian and Registrar of participants includes but is not limited by cases provided by Articles 79 and 82 of this Law.

Article 79. Sanctions for violation of this Law

1. In cases provided by Article 77 of this Law Central Bank may impose on pension fund manager, custodian, Registrar of participants, their directors, account operator following types of sanctions within 1 year upon disclosure of sanction:
   1) Warning to eliminate the violation and (or) instruction to prevent such violations in the future and (or) instruction to take measures to prevent the occurrence of that violation in the future (hereinafter warning);
   2) fine;
   3) deprivation of qualification certificate of director or responsible person of supervised entity;
   4) revocation of license.
   Only one type of sanction may be imposed for each violation, except when a warning is issued with a fine.
2. Imposition of sanctions provided by this Law shall not release pension fund manager, account operator, custodian and Registrar of participants and their directors from fulfillment of obligations provided by law, other regulations or agreements.
3. Central Bank is obliged to publish on its website the decision on imposition of sanction(s) provided by this Article against pension fund manager, account operator, custodian and Registrar of participants and their directors.

**Article 80. Warning**

1. Through the warning the violation is noted and the person who has made the violations is notified about the impermissibility of the violation.
2. A warning shall also imply an instruction to eliminate the violation within the terms set forth by the Central Bank and/or an instruction not to repeat the violation in the future and/or an instruction on taking measures aimed at further prevention of the violation. An instruction to eliminate, or not to repeat, or take measures aimed at preventing, such violations may also envisage termination and/or alteration of the conditions of certain transactions and/or operations of pension fund manager, account operator, custodian or Registrar of participants. The fulfillment of the instruction shall be mandatory for the person that has received a warning.
3. Warning may be applied for any violation provided by Article 77 of this Law.
4. For violations which caused damage to property of participants the Central Bank shall make a decision for each violation on imposing warning and compensation of damages (including unearned profit) caused by pension fund manager or Registrar of participants or custodian or account operator and shall notify thereon to affected person.

**Article 81. The Fine**

1. In cases of violation of requirements set forth by this Law and regulations adopted on the basis of those Laws, if after exercising supervisory measures (meeting, correspondence, explanatory measures) for the regulation of the situation of the person who has committed the violation, and (or) after imposing a warning those violation have not been remedied and (or) the reasons for those violations have not or cannot be remedied, the Chairman of the Central Bank, by his decision shall be entitled to impose a fine towards the violating entity.
2. For those violations which have not caused property damages to participants but requirements of submitting reports and other requirements envisaged by this Law have been violated the amount of fine for each violation shall not exceed 1000 fold of minimum salary, except for violation of provisions of parts 6 of Article 10 and 18 of this Law.
   When determining the size of the fine the authority entitled to impose fine shall take into consideration:
   1) the amount of fine previously imposed on other persons for similar violation,
   2) the nature of the violation (deliberate violation, or indifference or carelessness),
   4) the extent of the unjustified enrichment, taking into account the compensations given to other persons,
   5) the circumstance whether such person has previously permitted or has been liable to such or other violation, and the size and nature of the previous violation,
   6) the degree of need for excluding violations by same and other persons.
3. Fine in amount of 3000 fold of minimum salary is imposed for each case on account operator or its director for violation of requirements of paragraphs 1 and 3 of part 6 of Article 10 of this Law.
Fine in amount of up to 500 fold of minimum salary is imposed for each case on account operator or its director for violation of requirements of paragraph 2 of part 6 of Article 10 of this Law.

4. Fine in amount of 5000 fold of minimum salary is imposed for each case on Registrar of participants or its director for violation of requirements of part 6 of Article 18 of this Law.

5. Fines levied upon pension fund manager, custodian, account operator and Registrar of participants shall be withdrawn from their (legal entity’s) personal resources, except if account operator is a state body. If account operator is a state body fine shall be levied upon respective violating employee.

6. Fine shall be levied by court decision, based on the claim of the Central Bank in cases when pension fund manager, custodian, account operator or Registrar of participants does not agree with imposition of fine or of its amount.

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

Article 82. Deprivation of qualification certificate of directors of pension fund manager, custodian and Registrar of participants

1. Director of pension fund manager, custodian and Registrar of participants may be deprived of qualification certificate upon the decision of the Central Bank if:
   1) has deliberately violated requirements of laws and other regulations;
   2) while serving in his position has conducted activities which are unreasonable and threaten interests of participants;
   3) has impeded the actions of the Central Bank or its employees in regard to conducting supervision;
   4) has committed an action or permitted an omission as a result of which the participant has incurred or may incur considerable financial or other loss;
   5) during his activities has committed an action or permitted an omission for his personal interests, which contradicts to rights and legal interests of participants;
   6) while serving in his position (including responsibilities taken towards pension fund manager, custodian or Registrar of participants and its participants) has shown unfair or non-careful behavior;
   7) director of pension fund manager, custodian and Registrar of participants does not comply with the qualification requirements stipulated by Central Bank regulations;
   8) has not fulfilled or has unduly fulfilled the instruction of the Central Bank;
   9) in other cases stipulated by law.

2. Upon entering into force of the Central Bank decision on deprivation of qualification certificate of director of pension fund manager, custodian and Registrar of participants, authorities of director provided by this Law, other Laws and regulations, as well as internal regulations of supervised entity shall terminate.

Article 83. Revocation of license of pension fund manager and prohibition of custodian activities of pension fund custodian

1. Authorization issued to pension fund manager may be revoked or custodian may be prohibited from engaging in custody of pension fund (hereinafter revocation of license) if grounds provided by point 8 of part 3 of Article 77 exist, in other cases provided by Law, as well as in cases when sanction provided in Article 81 has been imposed twice and more and
pension funds manager or custodian has not eliminated consequences of violation within timeframe set forth by the Central Bank or has not taken measures to eliminate it.

2. Central Bank is entitled to revoke pension fund manager’s license, if it appears that in order to obtain license false or misleading information has been submitted.

3. The license of the pension fund manager or custodian shall be revoked by the decision of the Central Bank Board. The license of the pension fund manager or custodian shall be revoked exclusively in the manner provided this Law, Republic of Armenia Law “On Investment funds”. If other provisions on revocation of license are stipulated by other Laws provisions of this Law and Republic of Armenia Law “On Investment funds” shall apply.

4. Upon violations committed by custodian as provided by this Article the Central Bank is entitled to instruct pension fund manager to rescind unilaterally the contract with custodian within reasonable time period.

**Article 84. Publication of decision on revocation of license of pension fund manager and custodian and its legal effect**

1. The decision of the Board of the Central Bank on revocation of an activity license as provided for by Article 83 of this Law shall be immediately publicized. The decision shall enter into force from the date of its publication, unless another date is established by the decision.

2. Upon the entry into force of the decision to revoke a license, the pension fund manager or the custodian shall be deprived of the right to engage in providing any activities of pension fund management or custody of assets, for a minimum of ten (10) years, except for transactions provided for by this Law, which are aimed at fulfilling the undertaken obligations, realizing the assets and their final allocation. The custodian is obliged to continue to fulfill his obligations stipulated by Law, regulations adopted on the bases of that Law or pension fund rules (statute) until entering into agreement with new pension fund custodian and transfer of pension fund assets.

3. A copy of the decision of the Central Bank to revoke a license shall be submitted to the pension fund manager and the custodian within three days after its adoption. Appealing of the decision of the Board of the Central Bank on revocation of a license to court shall not suspend the action of that decision during the entire court proceeding.

**Article 85. Conflict resolution**

1. Any claim or inquiry by a participant or beneficiary concerning pension account under this Law shall be made in writing to the Tax authority, which shall consider such complaint or inquiry within maximum 30 days and shall notify in writing the participant or beneficiary on decision and grounds for making such decision, or shall submit the inquiry (complaint) to the responsible body within 3 working days upon its receipt.

2. Participant or beneficiary may submit a claim to the financial system mediator on the grounds and in the manner provided by the Republic of Armenia Law “On Financial system mediator” regardless of the fact of having submitted inquiry or claim provided by part 1 of this Article to the Tax authority.

3. If Registrar of participants transfer proceeds from pension account to the insurance company for payment of annuity, any conflict arising from such function shall be resolved as follows: claim of participant or beneficiary on annuity payment shall be first submitted to the
management body of insurance company. Management body shall within 10 days upon receipts of such claim consider it and inform in writing to the participant or beneficiary about decision and grounds for making such decision. Participant or its authorized representative may participate at the hearing of the claim. If participant or beneficiary does not agree with decision he shall all refer to available legal remedies provided by the Republic of Armenia Law “On Insurance and Insurance Activities”.

CHAPTER 15

FINAL AND TRANSITIONAL PRIVISIONS

Article 86. Final provisions

1. This Law shall enter into force on the tenth day following its official publication, except for obligation to make mandatory funded contributions provided by this Law.
2. Provisions relating to obligations to make mandatory funded contributions shall enter into force from January 1, 2014.
3. Participants of mandatory funded component shall select in accordance with this Law, pension fund and pension fund manager until January 1, 2014 otherwise selection is made pursuant to Part 1 and 2 of Article 10 and Article 39 of this Law.

Article 87. Transitional provisions

1. Provisions on change of mandatory pension fund as well as heritage of pension fund shares provided by this Law shall enter into force from January 1, 2015.
2. Mandatory pension funds cumulated in accordance with this Law may be withdrawn (including as a pension) from funded pension component from January 1, 2015.
3. Functions of mandatory pension fund custodian shall be executed by the Registrar of participants until adoption of relevant decision by the Republic of Armenia Government. Usage of pension fund account within the period provided in this part shall be executed with the consent of Registrar of participants.

Republic of Armenia

President S. Sargsyan

December 30, 2010
Yerevan
HO-244-N