

**REPUBLIC OF ARMENIA LAW**  
**ON**  
**PAYMENT AND SETTLEMENT SYSTEMS AND PAYMENT AND SETTLEMENT**  
**ORGANIZATIONS**

*Adopted*  
*November 24, 2004*

This Law aims at regulating and developing the payment and settlement systems in the Republic of Armenia, ensuring financial and banking system stability of the Republic of Armenia, as well as regulating the activities of payment and settlement organizations.

**CHAPTER 1. GENERAL PROVISIONS**

**Article 1. Scope of Regulation**

This Law shall regulate activities of payment and settlement systems and payment and settlement organizations, licensing, terms and conditions for supervision of their activities, defines infringement of laws and other normative acts by payment and settlement systems and organizations, responsibility measures against payment and settlement systems and organizations, as well as rules for settlement finality.

This Law shall not apply to payment and settlement systems performing settlements (including determination and offset of mutual liabilities (claims) arising from stock exchange transactions) that arise from transactions with securities in the stock exchange

**(Article 1 amended AL-180-S, 04.10.05)**

**Article 2. Legal framework for payment and settlement systems and organizations**

1. Activities of payment and settlement systems and organizations shall be governed by the Republic of Armenia Civil Code, this Law, the Republic of Armenia Law on The Central Bank of the Republic of Armenia, other laws and international agreements of the Republic of Armenia, normative acts of the Central Bank of the Republic of Armenia (hereinafter, Central Bank) and other normative acts, in cases and under conditions defined by law.

2. Procedure of insolvency and bankruptcy of payment and settlement organizations shall be governed by the Republic of Armenia Law on Insolvency/Bankruptcy, except for cases provided for by this Law.

3. Grounds and procedures for restructuring and liquidation of payment and settlement organizations shall be governed by this Law, the Republic of Armenia Civil Code and applicable laws and normative acts governing activities of payment and settlement organization with given form of incorporation.

**Article 3. Main Concepts**

For the meaning of this Law and other normative acts adopted pursuant to this Law,

a) **payment and settlement system** is the entirety (generality) of payment instruments, general rules, procedures and supportive technical and program facilities for clearing, transfer of funds and execution of final settlement, which ensures payment to the beneficiary.

Rules for payment and settlement system operation are considered a component of regulation of payment and settlement systems activities, which are subject to approval by a management body of payment and settlement systems operator;

b) **payment and settlement organizations** are parties established by Article 19(2) hereunder;

c) **payment document** is any paper or electronic document, prepared and confirmed (verified) according to laws of the Republic of Armenia, normative acts of the Central Bank and banking rules pursuant to such normative acts, that contains an instruction to a payment and settlement system participant on crediting, debiting or transferring funds;

d) **payment and settlement system operator** is a payment and settlement system participant which is responsible for payment and settlement system operation and which is authorized by other system participants to implement clearing and/or final settlement;

e) **payment instrument** is a message, document or arrangement submitted in a paper, electronic, voice format (or presented in other form ) which, irrespective of form and manner of use, application or execution, enables its holder and/or user to make payments;

f) **clearing** is a process that involves collection, grouping, exchange of payment and settlement documents, and calculation of positions of payment and settlement system participants for final settlement, or part thereof;;

g) **final settlement** is an action whereby monetary liabilities between two or more payment and settlement system participants, arising in respect of transfer of funds, are being redeemed;

h) **netting** is an offset of monetary claims or liabilities arisen out of payment and settlement documents submitted to each other by two or more payment and settlement system participants;

i) **resident and non-resident** are definitions stipulated by the Republic of Armenia Law on Currency Regulation and Control;

j) **processing** is payment and settlement documents collection, maintenance, information processing included therein and their transmission, as well as identification of participants where appropriate, , check of validity of a payment and settlement document (payment instrument), authentication of funds transfer;

k) **payment card** is a payment instrument in the form of debit card, credit card, electronic purse or any other card accepted in international practice, which is used to receive cash or make non-cash payments, and to perform other operations as set forth by the issuer of payment card;

l) irrevocability moment is the moment after which a payment and settlement document that has entered to payment and settlement system cannot be called back or changed, according to payment and settlement system operation rules;

m) **transfer of funds** is the movement (transfer) of ownership rights over cash and non-cash monetary funds during the payment from a payment and settlement system participant to another;

n) **payment** is execution of monetary obligation by means of transfer of funds or delivery of a payment and settlement document that instructs a payment of monetary obligations or monetary funds;

o) **servicing of payment instrument** is provision of the services or part thereof defined by the issuer by that issuer or a third party who is authorized by the issuer or according to payment and settlement system operations rules;

p) interruption moment **of payment and settlement activities** is the moment of deprivation of payment and settlement services provisioning rights of the payment and settlement system participant (revocation of license of the entity providing payment and settlement services, suspension of the license, suspension of their activity in the payment and settlement system and other similar decision, due to which payment and settlement system participant cannot render payment and settlement services) according to laws of the Republic of Armenia and/or decision of the appropriate authority. For the meaning of this Law, for payment and settlement organizations engaged in activities other than provision of payment and settlement services, the moment of payment and settlement activity interruption is also considered the moment when the organization is liquidated or recognized bankrupt or insolvent according to the procedure specified in laws and other normative acts or the authority adopts any similar decision due to which given organization shall not or cannot continue normal functioning of its business;

q) **temporary administrator** is the temporary administration, liquidator or receiver, liquidation committee or another party vested with such power, appointed as established by laws of the Republic of Armenia and other normative acts, when the moment of interruption of activities of the payment and settlement system participant occurs;

r) **intra-bank payment and settlement system** is a payment and settlement system that involves only head-office and branch offices of any given bank or party rendering payment and settlement services;

s) **Armenian payment and settlement system** is the payment and settlement system that ensures execution of payments inside and outside the Republic of Armenia, the operator of which is a resident of the Republic of Armenia;

t) **foreign payment and settlement system** is a foreign or international payment and settlement system that ensures execution of payments outside the Republic of Armenia, the operator of which is not a resident of the Republic of Armenia;

u) **electronic money** is pecuniary value expressing a monetary claim against an issuer, which is:

- maintained in the electronic device;
- issued against monetary funds received, with a value not less than that of the electronic money issued; and
- accepted as a means of payment by parties other than the issuer;

v) beneficiary is the final recipient of the payment.

**(Article 3 amended AL-131-S, 14.04.11)**

## CHAPTER 2. PAYMENT AND SETTLEMENT SYSTEMS

### Article 4. Payment and settlement system participants

1. Armenian payment and settlement system participants may include the Central Bank, banks, and foreign banks' branch offices, functioning in the Republic of

Armenia (hereinafter referred to as banks), payment and settlement organizations, other parties authorized to render payment and settlement services under laws of the Republic of Armenia or international agreements, and non-resident organizations of the Republic of Armenia which are entitled to render payment and settlement services as set forth herewith, and/or similar services, in their home country.

2. Parties not specified in this Article shall not be allowed to establish an Armenian payment and settlement system or be a participant thereto.

**Article 5. The Central Bank permission to establish and operate the Armenian payment and settlement system and to participate in foreign payment and settlement system; suspension or revocation of the permission**  
***(Title supplemented AI-131-S, 14.04.11)***

1. Armenian payment and settlement systems shall be established and shall operate by the Central Bank Board permission that is granted as set forth herewith and by normative acts of the Central Bank. For establishment of an intrabank payment and settlement system, the Central Bank permission is not required.

Requirement to obtain permission as defined hereinabove, shall not apply to payment and settlement systems where the Central Bank is a system operator.

2. Banks and other organizations that are duly licensed to render payment and settlement services may participate in foreign payment and settlement systems (hereinafter referred to as 'foreign payment and settlement system participants') by the Central Bank Board permission that is issued as set forth herewith and by normative acts of the Central Bank.

3. The Central Bank Board may decide on the following criteria, subject to which permission established by parts 1 and 2 of this Article shall be issued in manner prescribed by Article 7 part 4 or Article 8 part 5, hereof:

- a) number of payment and settlement system participants;
- b) value of an individual payment via the system;
- c) value of total payments;
- d) participants' capital to volume of payments ratio; and
- e) payment and settlement systems name list (based on the availability of actions and/or measures towards minimizing the risks pertinent to the systems).

4. The Central Bank may change the size of the defined criteria. Central Bank decisions that impose stricter criteria shall enter into force six months after the adoption of those, unless the Central Bank Board decides on later timing.

5. The Central Bank Board may suspend or revoke its permission to establish and operate the Armenian payment and settlement system and to participate in foreign payment and settlement system, if Armenian payment and settlement system operator and/or participants, foreign payment and settlement system participant:

- a) have infringed the requirements of this Law and normative acts of the Central Bank; and
- b) in the event as set forth by Article 8(4) hereunder.

During the whole period of suspension Armenian payment and settlement system operator and other participants, as well as foreign payment and settlement system participant are not allowed to provide any payment and settlement service, except for separate payment and settlement services indicated in the Central Bank Board resolution on suspension.

6. In case of noncompliance with the size of the criteria due to changes in the size of the criteria set forth under paragraph 3 herewith or changes in the payment and settlement system operations, the Armenian payment and settlement system operator and, in the case of foreign payment and settlement system, the participant, shall duly apply to the Central Bank for a new permission as set forth herewith, within a weekly period upon entry of such changes into effect.

7. The Central Bank Board may establish technical, security, software as well as system operation rules content requirements for payment and settlement systems.

8. The Central Bank shall run a register for permissions granted. The Central Bank Board will determine the form and the way of running the register, and the information included and the list of information for general acknowledgement contained therein.

**(Article 5 amended AL-131-S, 14.04.11)**

#### **Article 6. Requirements to payment and settlement system**

1. For permission, as set forth under Article 5(1) hereinabove, payment and settlement system shall:

- a) retain a payment and settlement system operator, with an executive management to meet qualification criteria set by the Central Bank normative acts;
- b) have an operations contract with provisions as set forth under Article 7(1)b hereunder, duly signed between payment and settlement system participants; and
- c) meet technical, security, software, participation requirements as well as those presentable to system operations rules defined by the normative acts of the Central Bank.

#### **Article 7. Permission to establish and operate the payment and settlement system**

1. For permission to establish and operate an Armenian payment and settlement system, the payment and settlement system operator shall submit the following documents to the Central Bank:

- a) a letter of application for receiving permission to establish a payment and settlement system, decision of executive management on participation in the system of each payment and settlement system participant;
- b) a copy of operations contract(s) signed between payment and settlement system participants which states the system operator, system participant competences, obligations and responsibilities, and other provisions, as the participants will find appropriate;
- c) a reference as defined by the Central Bank Board, containing information on the system participants, distribution of liabilities among participants, organization, management and activities of the system;
- d) regulation of the payment and settlement system operations, as approved by the executive management of the payment and settlement system operator, and in case when regulation approval is stipulated otherwise in the operations contract of this Law, the regulation approved by that procedure. The regulation shall contain system operations rules, envisaged functions and procedures, terms and conditions for organization and management, and terms and conditions for establishment and operations of an examination

- board, if any. Provisions of regulation mentioned herewith shall be mandatory for all participants of the system;
- e) an economic plan for the system operation as defined by the Central Bank Board containing economic rationale to establish the system, financial sources, income and expense estimate for the first three years, potential development trends, assessment of potential risks emerging from the settlements in the system and mitigation measures; and
  - f) reference as defined by the Central Bank Board on managers of the payment and settlement system operator.

2. The Central Bank shall grant permission, or refuse permission, for payment and settlement system operation within a two-month period upon receipt of all the documents listed in paragraph 1 herewith.

Central Bank may take a decision to suspend the two month period hereof for up to one month with the view to clarifying certain facts. Where application is not refused or the operator of the payment system is not informed on the two month suspension by the Central Bank, such permission will be deemed as granted.

**3. (Paragraph 3 repealed AL-131-S, 14.04.11)**

4. For permission provided for in Article 5(3) hereinabove, the payment and settlement system operator shall submit to the Central Bank: i) a reference on measures of criteria determined by the Central bank Board; ii) a letter of application to establish a payment and settlement system; and iii) the documents mentioned in paragraph 1(c) herewith. Permission shall be deemed as granted after twenty days upon receipt of the documents by the Central Bank, unless within that period the Central Bank notifies the payment and settlement system operator of noncompliance with the criteria as provided for in Article 5(3) hereinabove, or of incomplete information.

5. The payment and settlement system operator shall present the decision on change of the payment and settlement system operator or changes in the regulation of the system to the Central Bank for consent.

The Central Bank shall, in a two-month period upon receipt of application, give its consent, provided that such a consent will not run into conflict with the requirements of this Law, other laws, and regulations adopted pursuant to these laws, or that the given change will not be of detriment to the stability or security of payment and settlement system. The changes provided for herewith shall take effect upon issue of the Central Bank's consent.

Where the Central Bank does not reject the application in a two-month period, the consent shall be deemed as issued.

6. The payment and settlement system operator shall notify the Central Bank about changes in composition of payment and settlement system participants within a five-day period upon making such changes.

7. The Central Bank Board will determine the technical conditions and form of presentation of the changes, mentioned in paragraphs 5 and 6 above, to the Central Bank.

8. Permission to establish Armenian payment and settlement system is not limited in time.

**(Article 7 amended AL-131-S, 14.04.11)**

## **Article 8. Permission to participate in the foreign payment and settlement systems**

1. For permission to participate in foreign payment and settlement system, banks, other organizations, duly licensed to render payment and settlement services (hereinafter referred to as 'applicants') shall submit to the Central Bank:

- a) a letter of application for permission, as defined by the Central Bank normative acts;
- b) economic rationale for participation;
- c) general description of an foreign payment and settlement system operation (the goal of the operation of the system, geography, participants, payment instruments used, types of operations); and
- d) a reference containing applicant's rights and liabilities, which shall at least include information defined by the normative acts of the Central Bank;
- e) the contract or the draft of the contract signed or subject to signing with foreign payment and settlement operator;
- f) a reference on assessment of potential risks of participation in foreign payment and settlement systems as defined by the normative acts of the Central Bank;
- g) other documents prescribed by the Central Bank.

1.1 Reference defined by paragraph 1, clause "d" hereof, may supplement information which has been already provided for in the agreement or draft agreement defined by paragraph 1, clause "e", hereof, or other documents submitted to the Central Bank.

2. The Central Bank shall, within a two-month period upon receipt of all the documents mentioned in paragraph 1 herewith, grant permission, or refuse permission, for an applicant to participate in an foreign payment and settlement system. Central Bank may take a decision to suspend the two month period hereof for up to one month with the view to clarifying certain facts. Where permission is not refused by the Central bank within a two-month period, such permission will be deemed as granted.

### **3. Paragraph 3 repealed AL-131-S, 14.04.11)**

4. In case of certain changes in an foreign payment and settlement system operations rules, participant in such an foreign payment and settlement system shall notify the Central Bank of this in at least three-month period. The Central Bank Board will determine the list of changes provided for herewith. The Central Bank shall have the right to suspend or revoke permission for participation in an foreign payment and settlement system, if the change in the operations rules or other documents regulating relations between system operator and Armenian participant, or identification of other facts may be of detriment to financial sustainability and (or) liquidity and (or) solvency of the Republic of Armenia financial system.

5. For permission to participate in an foreign payment and settlement system, provided for in Article 5(3) hereinabove, an applicant shall submit to the Central Bank: i) a reference on criteria determined by the Central Bank Board; ii) a letter of application for participation in an foreign payment and settlement system; and iii) the documents mentioned in paragraph 1(d) herewith. Permission shall be deemed as granted after twenty days upon receipt of the documents to the Central Bank, unless within that period the Central Bank notifies the applicant of noncompliance with the criteria as provided for in Article 5(3) hereinabove, or of incomplete information.

**(Article 8 amended AL-131-S, 14.04.11)**

**Article 8.1. Refusal of permission to establish and operate Armenian payment and settlement system. Refusal of permission to participate in foreign payment and settlement system.**

1. Central Bank shall refuse permission to establish and operate Armenian payment and settlement system or permission to participate in foreign payment and settlement system, if:

- a) inaccurate or false data have been presented;
- b) documents have been submitted incompletely, or run into conflict with laws of the Republic of Armenia and other normative acts;
- c) principles of operation of the Armenian payment and settlement system does not comply with requirements to technical, safety, software, participation or system operation rules established by the Central Bank normative acts;
- d) according to guidelines set by the Central Bank normative acts, operation of such system may be of detriment to sustainability and (or) liquidity and (or) solvency of the Republic of Armenia financial system;
- e) establishment of payment and settlement system or participation in foreign payment and settlement system will be of detriment to financial performance of participant bank as established by criteria provided for in the Central Bank normative acts

**(Article 8.1 added, 14.04.11 AL-131-S)**

**Article 8.2. Payment and Settlement Associations**

1. In order to coordinate activities, present and protect interests, exchange information and mutually solve other problems, entities providing payment and settlement services may establish non-profit payment and settlement associations (unions of legal entities) and (or) participate therein in manner prescribed by law.

2. Payment and settlement association may not provide payment and settlement services.

3. Within 10 days after state registration, payment and settlement association shall notify the Central Bank thereon, providing information about its address, management bodies and senior officials. Payment and settlement association shall inform the Central Bank on any changes in information submitted to the Central Bank within 10 days.

**(Article 8.2 added, 14.04.11 AL-131-S)**

**CHAPTER 3. IRREVOCABILITY, MAINTENANCE OF PAYMENT AND SETTLEMENT DOCUMENTS, IRREVOCABILITY OF NETTING, FINAL SETTLEMENT**

**Article 9. Irrevocability of payment documents**



1. Where a payment and settlement document has entered a payment and settlement system and qualified as irrevocable until the interruption moment of payment and settlement activities of a payment and settlement system participant, obligations established in the document shall remain in effect and are subject to unconditional execution by temporary administrator, according to payment and settlement system rules.

2. Where a payment and settlement document has entered a payment and settlement system and qualified as irrevocable after the moment of interruption of payment and settlement activities of a payment and settlement system participant but during the day of interruption of payment and settlement system activities, obligations established in the document shall remain in effect and are subject to unconditional execution by temporary administrator, according to payment and settlement system rules, provided that the system operator demonstrates that he/she has not known or could not have known about such moment of interruption of payment and settlement activities of the participant.

3. An authorized body's decision on the moment of interruption of payment and settlement system activities of payment and settlement system participant shall not have retroactive effect on those rights or liabilities of participant that are connected with execution of settlements and have arisen before the termination of payment and settlement system activities.

4. The moment of payment and settlement document's entry to payment and settlement system and irrevocability of such a document shall be determined pursuant to payment and settlement system operations rules established in agreement with the Central Bank, in case of the absence of the latter, normative acts of the Central Bank will serve a source of adherence.

#### **Article 10. Irrevocability of netting**

1. Where a system executes netting pursuant to payment and settlement system rules, the resultant netting may charge the payment and settlement system participant with only one net liability to make a payment or only one claim to receive a payment in relation to another payment and settlement system participant (s).

2. Where a system executes netting pursuant to payment and settlement system rules, and the payment and settlement document has entered the payment and settlement system and qualified as irrevocable until the moment of interruption of payment and settlement system activity of the payment and settlement system participant, the netting of such payment and settlement documents shall not be rendered void and revoked.

3. Rules laid down in Article 9 hereinabove shall apply to the systems executing settlements on net basis.

#### **Article 11. Use of financial assets by the Central Bank and companies executing clearing and final settlement**

1. On the day of the moment of interruption of payment and settlement system activity of the payment and settlement system participant, the latter's funds (money, securities) deposited at the Central Bank to ensure performance of obligations in respect of payment and settlement documents in the companies executing clearing and final settlement , can be owned, possessed and used by the Central Bank, without any limitation (attachment), in order to execute final settlement of payments

qualified as irrevocable according to Articles 9 and 10 hereinabove by the companies executing clearing and final settlement, to the extent required to execute such final settlement.

2. Provisions of this Article and Articles 9 and 10 hereinabove shall apply to payment and settlement system participants functioning on the Central Bank permission and to payment and settlement system participants in which the Central Bank is a system operator and/or a settlement bank, pursuant to Article 7(1) and Article 8(1) herewith.

#### **Article 12. Maintenance of payment and settlement documents**

1. Payment and settlement system participants shall maintain payment and settlement documents and data pertaining to payment and settlement services (including data on electronic carriers) and put them away as archives according to procedure and timeframe provided for by laws and other normative acts of the Republic of Armenia, but not less than for a five-year period upon creation of such documents and/or data.

2. Payment and settlement system participants shall maintain contracts, agreements, other similar documents and information on bank accounts, other payment and settlement services, and changes or supplements thereto according to procedure and timeframe provided for by laws and other normative acts of the Republic of Armenia, but not less than for a five-year period upon termination of validity of such contracts, agreements and other similar documents.

3. Payment and settlement system participant shall maintain the duplicates of the documents that are being taken from it.

4. Maintenance of the documents and information mentioned in paragraphs 1 and 2 herewith is responsibility of the head of organization.

### **CHAPTER 4. SUPERVISION (OVERSIGHT) OF PAYMENT AND SETTLEMENT SYSTEM OPERATIONS**

#### **Article 13. Supervision (oversight) of payment and settlement system operations**

1. The Central Bank shall carry out supervision (oversight) of payment and settlement system and activities of payment and settlement system participants in the territory of the Republic of Armenia.

2. The Central Bank may demand information from the Armenian payment and settlement system operator and other participants, as well as foreign payment and settlement system participants relating to rendering payment and settlement services, even if such information constitutes a banking, commercial or other secrecy.

3. The Central Bank shall carry out supervision (oversight) of payment and settlement system and the parties provided for in paragraph 2 herewith through statements reported to the Central Bank and on-site inspections.

4. Forms and terms and conditions of reporting to the Central Bank by the parties provided for in paragraph 2 herewith shall be determined by normative acts of the Central Bank.

5. The Central Bank shall conduct on-site inspection of the parties provided for in paragraph 2 herewith as required by the Republic of Armenia Law on Central Bank and normative acts of the Central Bank.

6. Central Treasury of the Republic of Armenia and the Central Bank shall exchange information on payment and settlement services through a procedure established jointly by a Government-authorized body and the Central Bank.

**7. (Repealed, 4.10.2005, AL-180-S).**

8. Provisions on the Central Bank authority of supervision (oversight) of activities of payment and settlement system participants, as set forth herewith, shall not apply to Central Treasury of the Republic of Armenia.

**(Article 13 amended AL-180-S, 04.10.05)**

**Article 14. Payment and settlement system supervisory board (supervision) oversight of activities of payment and settlement system participants**

To carry out supervision (oversight) of activities of payment and settlement system participants, such participants may create a supervisory board consisting of representatives of the payment and settlement system operator and all payment and settlement system participants. Terms and conditions for establishment and activities of the supervisory board shall be defined pursuant to the principles of payment and settlement system operations.

**Article 15. Liability for infringement of legislation by the payment and settlement system participants**

1. For infringement of requirements of this Law and the Central Bank normative acts adopted pursuant to this Law, the Central Bank may give a warning to the payment and settlement system operator and other participants, and charge these parties with an assignment to remedy infringement or adhere to the requirements of this Law and the Central Bank normative acts adopted pursuant to this Law. The Central Bank assignment may stipulate a timeframe and definite measures, which shall be mandatory for any participant having received the warning.

2. Where payment and settlement system participant fails to fulfill or fails to fulfill in time Central Bank assignment, as established by paragraph 1 herewith, the Central Bank may prohibit activity of the payment and settlement system participant (except for the operator) in the Armenian payment and settlement system; while in case of foreign payment and settlement system, the Central Bank may suspend or revoke its permission for participation in such foreign payment and settlement system.

3. Repeated committing of the same infringement by the payment and settlement system participant within one financial year may provoke the Central Bank to claim changing the Armenian payment and settlement system operator; where such a claim is not satisfied, the Central Bank may suspend or revoke its permission for establishing and operating of the Armenian payment and settlement system.

4. Commitment of the same infringement by the payment and settlement system participant for three times within one financial year may provoke the Central Bank to penalize the payment and settlement system participant and/or operator at the rate of one thousand-fold of the minimum salary.

Commitment of the same infringement by the payment and settlement system participant for three times and more within one financial year may provoke the Central Bank to penalize the payment and settlement system participant and/or operator at the rate of two thousand-fold of the minimum salary.

Amounts of penalty provided for herewith shall be charged to the benefit of the Republic of Armenia state budget revenues.

5. The payment and settlement system participant and operator shall, in addition to liability as established herewith, carry responsibility under laws of the Republic of Armenia.

#### **Article 16. Publication of information**

1. The Armenian payment and settlement system operator shall release information on payment and settlement system activities, as per form and frequency established by the Central Bank Board.

2. Provisions established herewith shall not apply to Central Treasury of the Republic of Armenia.

**(Article 16 amended AL-180-S, 04.10.05).**

### **CHAPTER 5. PAYMENT AND SETTLEMENT SERVICES AND ORGANIZATIONS RENDERING SUCH SERVICES**

#### **Article 17. Payment and settlement services**

1. For the meaning of this Law and other normative acts of the Republic of Armenia, payment and settlement services involve:

- a) opening and running bank accounts;
- b) receiving/making payments in from/to individuals and legal entities, using bank accounts;
- c) receiving payments on trade operations in Armenian Dram and/or foreign currency in order to pay beneficiary directly or through other person providing payment and settlement services to beneficiaries, or making payments in Armenian Dram and/or foreign currency to beneficiaries on trade operations to the benefit of other persons in any mode at the expense of received funds;
- d) issuing payment cards, checks, electronic monies and other payment instruments determined by the Central Bank Board;
- e) servicing and realization (distribution) of payment cards, checks, electronic monies and other payment instruments determined by the Central Bank Board;
- f) processing;
- g) clearing;
- h) performing cash operations for the third parties; and
- i) other operations, as accepted in international practice, pertinent to parties rendering payment and settlement services with the consent of the Central Bank.

2. The Central Bank may establish normative acts containing rules for rendering payment and settlement services and/or rules for circulation of payment instruments and/or forms for executing settlements, as well as list of separate types of services defined in paragraph 1 hereinabove, which may be rendered by persons not defined in Article 18, paragraph 1 of this law.

3. The rules and forms for executing settlements, as mentioned in paragraph 2 herewith, shall be the same for parties holding the same type of license that render payment and settlement services.

**(Article 17 amended AL-131-S, 14.04.11)**

## **Article 18. Entities rendering payment and settlement services**

1. Entities entitled to render payment and settlement services in the Republic of Armenia are:

- a) the Central Bank, in compliance with the Republic of Armenia Law on Central Bank;
- b) banks, in compliance with the Republic of Armenia banking laws and the Central Bank normative acts;
- c) payment and settlement organizations, in compliance with this Law and the Central Bank normative acts;
- d) Central Treasury of the Republic of Armenia, as required by the Republic of Armenia legislation on the treasury system;
- e) (clause repealed AL-180-S, 04.10.05)
- f) other parties that are entitled to render payment and settlement services under laws of the Republic of Armenia and international agreements.

2. ***(Repealed, AL-131-S, 14.04.11)***

***(Article 18 amended AL-180-S, 04.10.05, AL-131-S, 14.04.11)***

## **Article 19. Payment and settlement organizations**

1. A payment and settlement organization (PSO) is a legal entity having received a license as required by this Law and the Central Bank normative acts to render payment and settlement services. Types of licenses for payment and settlement services are:

- a) for money remittances; and
- b) for processing and clearing of payment instruments and payment and settlement documents.

2. For the meaning of this Law and other laws of the Republic of Armenia and normative acts governing activities of PSO, types of payment and settlement organizations are:

- a) money remittance organizations , which render payment and settlement services defined in Article 17, paragraph 1, clause “a” hereinabove as well as render other payment and settlement services, as permitted by the Central Bank Board;
- b) payment instruments and payment and settlement documents processing and clearing organizations that provide processing and clearing for the third parties, as well as render other payment and settlement services, as permitted by the Central Bank Board, that are connected with any given type of payment and settlement service.

3. PSO shall not engage in commercial, production and other types of activities, except for the cases stipulated by law and paragraph 5 herewith.

4. Rendering of payment and settlement services without a Central Bank license is disallowed, except for the cases stipulated by this Law.

5. PSO, as set forth by paragraph 2(a) herewith, under an appropriate license may engage in processing and clearing of payment instruments and payment and settlement documents, foreign exchange dealer-broker trading and delivery of postal services. PSO, as set forth by paragraph 2(b) herewith, may engage in a business of creating, utilizing and servicing hardware and software systems, equipment and programs in relation to processing and clearing, as well as engage in money remittances under an appropriate license.

5.1. Money remittance organizations g may make payments outside of their business address without establishing a branch as in accordance with normative acts of the Central Bank.

6. A word combination “payment and settlement organization” can be only used by an entity that has received a license for payment and settlement activities. Parties not licensed to implement such activities are disallowed to use the word combination or derivatives thereof in advertisement, public offerings, and to support parties promoting such activity. .

7. PSO shall render payment and settlement services in conformity with the operations regulation approved by their top management.

8. In case of introducing supplements or changes to the said operation regulation, PSO shall submit a respective decision on such supplements or changes to the Central Bank to seek consent.

Within 15 business days upon receiving the decision, the Central Bank shall issue consent or refuse to issue consent. The Central Bank shall refuse issuing consent if it believes that the supplements or changes contain risks and/or run into conflict with this Law or other laws or other normative acts adopted pursuant these laws. Where the Central Bank fails to notify its consent or refusal within the timeframe specified, it shall be deemed as issue of consent.

Changes provided for herewith shall take effect upon consent issued by the Central Bank. The Central Bank Board will determine technical conditions and form of reporting of supplements or changes to the operations regulation to the Central Bank. Technical provisions and form of submitting to the Central Bank amendments or supplements to operations regulation shall be established by the Central Bank Board. **(Article 19 supplemented AL-10-S, 15.12.05; AI-261-S, 13.11.07, AI-131-N, 14.04.11).**

#### **Article 19.1. Outsourcing of Payment and Settlement Organization Functions**

1. PSO may outsource one or several of its functions to another party for limited or unlimited time.

2. Outsourcing of PSO functions must not deteriorate the quality of PSO internal audit, or monitoring capabilities by the PSO competent body over PSO compliance with provisions of legislation.

3. Outsourcing of payment and settlement services shall not be allowed.

4. PSO may outsource carrying out of its functions to another party, if the latter meets all of the following conditions:

a) outsourcing must not lead to delegation of powers of PSO senior management body;

b) PSO relations with customers and responsibility before them must not be changed;

c) compliance with legal provisions, which are necessary for obtaining and keeping the license, must not be put at risk;

d) any other provision for issuing license to PSO must not be changed or repealed.

5. Where PSO outsources part of its functions to another party, it shall be responsible for failure of the latter to fully or partially meet liabilities under the outsourced service.

6. Provisions on supervision (oversight) of PSO as defined herewith and by other laws shall apply also to parties to which PSO functions were outsourced, within the part of outsourced functions.

7. Central Bank may establish normative acts on provisions for outsourcing PSO functions, as well as list of functions which cannot be outsourced.

**(Article 19.1 added 14.04.11, AL-131-S)**

## **Article 20. Licensing of payment and settlement organizations**

1. PSO shall be licensed as required by this Law and through procedure determined by normative acts of the Central Bank.

For licensing, founders of PSO shall submit to the Central Bank:

- a) an application for receiving a license;
- b) PSO's charter, as approved under law, in three copies;
- c) an authorized body's decision of PSO on appointment of PSO managers;
- d) a reference on PSO participants and managers, as per format defined by the Central Bank Board, including participant's and manager's name, address, citizenship, and passport details;
- e) PSO's operations regulation, duly approved by its top management, which contains types of and terms and conditions for payment and settlement services;
- e.1) PSO business plan as per format defined by the Central Bank;
- f) **(clause repealed, 14.04.11, AL-131-S)**
- g) in case of PSO engaged in money remittances – a copy of contract on deposited monetary assets or securities with one of banks operating in the Republic of Armenia; or an irrevocable bank guarantee;
- g1) documents verifying compliance with prudential standard on minimum statutory capital
- h) a document that verifies the paid state duty.

2. The Central Bank shall initiate licensing, or refuse licensing, within a two-month period upon receipt of the documents and information, as set forth in paragraph 1 herewith.

Central Bank may take a decision to suspend the two month period hereof for up to one month with the view to clarifying certain facts.

**(sentence repealed, 14.04.11, AL-131-S)**

3. Within a three-day period upon making a decision on licensing, the Central Bank shall issue a license to PSO.

4. Upon entry of a decision on licensing into force, PSO shall be deemed as licensed.

5. **(paragraph repealed, 14.04.11, AL-131-S)**

6. Where the Central Bank fails to refuse an application within a two-month period, PSO shall be deemed as licensed, provided that it ensures that the state duty had been paid.

6.1 If documents submitted to the Central Bank contain formal errors, which may be corrected, the Central Bank shall indicate applicant thereof, allowing to correct such errors, or corrects them itself, advising the applicant thereof in advance or after correction. If documents submitted to the Central Bank are incomplete, the Central Bank shall suggest to applicant completing them within a defined period.

7. A license to PSO is not limited in time.

The PSO license shall not be commissioned to other parties for use; nor shall it be used as disposal or pledge.

The PSO license shall indicate the words 'Central Bank of the Republic of Armenia', the license number, date of issue, PSO's name, location, place of business (if the activity subject to licensing is to be carried out only as and where designated by the license, according to the Republic of Armenia Law on Licensing), state registration number, type of activity for which the license has been issued, as well as term of validity of the license, the Central Bank chairman's signature and the the Central Bank stamped seal portraying state Coat of Arms. Unified form of the PSO license shall be established by the Central Bank Board.

the Central Bank shall run a register of the licenses issued. The register is open to general information. the Central Bank Board will determine the form of the register, how it should be run and the information includable in the register.

**(Article 20 amended AL-131-S, 14.04.11)**

**Article 20.1. Refusal to issue license for payment and settlement organization**

1. The Central Bank may refuse to issue license for PSO, if:
  - a) false or inaccurate information has been provided;
  - b) submitted documents are incomplete or do not comply with provisions of the Republic of Armenia laws and other legal acts;
  - c) statutory capital level of PSO is lower than the floor defined by law;
  - d) business premises of PSO do not comply with criteria on level of technical availability, and territorial and software safety defined by the Central Bank normative acts;
  - e) PSO managers do not comply with the Central Bank-defined professional integrity or qualification criteria;
  - f) PSO is unable to ensure conformity of rendered payment and settlement services with the rules and conditions established by its operational principles.

**(Article 20.1 added 14.04.11, AL-131-S)**

**Article 21. PSO branch offices, their registration**

**(Title amended, 14.04.11, AL-131-S)**

1. PSO may open branch offices in the territory of the Republic of Armenia or abroad, as required by this Law and normative acts of the Central Bank, which may function upon being registered at the Central Bank. PSO's foreign branch offices and representations shall be established in compliance with the laws of the host country and/or international agreements of the Republic of Armenia.

2. Procedure of registration of PSO branch offices, the list of documents and information required for registration shall be determined based on normative acts of the Central Bank.

3. The Central Bank Board shall satisfy, or refuse to satisfy, a PSO branch office's or representation's application for registration within a one-month period. Once an application is satisfied, the Central Bank shall register the branch office and issue a certificate of registration; once an application is refused, the Central Bank shall notify the reason for refusal to PSO within a five-day period.



4. The Central Bank may refuse an application for registration of the branch office, if:
  - f) inaccurate or false data have been presented;
  - g) documents have been submitted incompletely; are imperfect or run into conflict with laws of the Republic of Armenia and other normative acts;
  - h) PSO has committed three and more infringements of this Law and the Central Bank normative acts governing payment and settlement activities, within one year preceding the application and in the period of review of the application; and
  - i) place or conditions of business of the branch office of PSO do not comply with the requirements set by the Central Bank normative acts.
5. The Central Bank shall remove the branch of PSO from registration:
  - a) based on a PSO application, within one week upon the application; and
  - b) in the event of revocation of the license issued to PSO.

***(Article 21 amended AL-131-S, 14.04.11)***

## **CHAPTER 6. REGULATION AND SUPERVISION OF PSO ACTIVITIES; REPORTING AND RELEASE OF STATEMENTS, AUDIT OPINION AND INFORMATION**

### **Article 22. PSO management and professional criteria and qualification**

1. Management of PSO includes head of executive body, his/her deputy, and chief accountant.
2. Management of PSO cannot include:
  - a) persons convicted for a deliberately committed crime, with criminal record not removed or cleared off;
  - b) persons deprived by court of the right to hold positions in financial, banking, tax, customs, commercial, economic, and legal areas;
  - c) persons gone bankrupt and having outstanding debt (debt not forgiven);
  - d) persons with qualification or professional knowledge not complying with the Central Bank-defined professional integrity or qualification criteria; and
  - e) persons who have behaved in the past in such a way that makes the Central Bank reasonably believe that the action of any such person as a manager of PSO may result in bankruptcy or worsening of financial condition of PSO.
3. The Central Bank Board will define the criteria and procedure for qualification and professional integrity of PSO managers. The Central Bank Board decision may stipulate that qualification and professional integrity examinations for PSO managers be conducted by other specialists.
4. A person may serve as manager of PSO upon being registered at the Central Bank. For registration, any such person should hold a certificate of qualification and professional integrity for PSO manager. The registration provided for herewith shall be made within a ten-day period upon the application.

### **Article 23. Prudential economic standards and other requirements to PSO (Title amended, 14.04.11, AL-131-S)**

#### **1. (paragraph 1 repealed, AL-131-S, 14.04.11)**

- 1.2 The Central Bank Board may define liquidity prudential standard for PSO;

1.3 The Central Bank Board shall define rules on calculation of prudential standards and elements included in calculation;

1.4. Prudential standards are binding for PSO

2. The Central Bank board may issue requirement for PSO to deposit cash or securities or provide irrevocable banking guarantee.

The Central Bank Board will determine the size of the amount deposited, types of securities, procedure and terms and conditions for depositing of the amount and securities.

Further, the Central Bank Board will determine the minimum size of the amount deposited or the minimum amount of securities, as well as the coefficient that can be used in respect of each money remittance organization, based on the number and/or value, and/or geography of payment and settlement services rendered, and/or a payment instrument, used by that organization. The coefficient can be set for each money remittance organization or group of money remittance organizations.

3. The amount deposited, securities, and a bank guarantee are a means of warranty that can be used exclusively by the Central Bank to repay the money remittance organization's liabilities in respect of the parties who have provided the money remitter with monetary assets, or on whose behalf the money remitter has received monetary assets in order to transfer these. The Central Bank Board will determine the procedure, and terms and conditions for repayment of liabilities

4. The Central Bank may allow the money remittance organization to dispose the amount deposited or securities or bank guarantee, if outstanding liabilities, as provided for in paragraph 3 herewith are missing.

5. The amount deposited or securities or bank guarantee cannot be used for repayment of liabilities of the money remittance organization other than those provided for in paragraph 3 herewith. Where the money remittance organization undergoes liquidation (self-liquidation) under the law, the amount deposited or securities or bank guarantee shall not be included in the list of liquidation assets, as established by law.

***(Article 23 amended (amendment in par. 1.1 enters into force on October 1, 2012), AL-131-S, 14.04.11)***

#### **Article 24. Supervision of PSO activities**

1. The Central Bank is exclusively authorized to exercise supervision of PSO in connection with rendering payment and settlement services. The Central Bank shall exercise oversight as required by the Republic of Armenia Law on Central Bank and the Central Bank normative acts.

2. The Central Bank staff shall carry out examinations and inspections in PSO pursuant to the Republic of Armenia Law on Central Bank and as per procedure, terms and conditions, event and frequency determined by the Central Bank.

#### **Article 25. Accounting and financial statements, audit, release of financial statements and publication of auditor opinion**

1. PSO shall run their books in accordance with the Republic of Armenia Accounting Standards. PSO shall separately keep records of payment and settlement services, the procedure of which shall be determined by the Central Bank Board in agreement with a Government-authorized body.

2. PSO shall prepare, release and submit financial statements and other Central Bank Board-defined statements to the Central Bank, as set forth by laws of the Republic of Armenia and other normative acts, as per procedure, and terms and conditions determined by the Central Bank Board.

2.1 PSOs shall prepare and submit released financial statements in accordance with the Republic of Armenia law "On Accounting".

3. Each year, an independent audit firm, so chosen by PSO, will examine the area of activity of PSO.

4. PSO shall present an independent audit firm's opinion to the Central Bank within a six-month period after the end of a financial year.

5. PSO shall release their annual financial accounts and auditor opinion within a six-month period after the end of a financial year, in the press with the issue number of at least 2000 copies.

6. PSO shall periodically release information on their activities, as per procedure and frequency determined by the Central Bank Board.

**(Article 25 amended, AL-230-S, 26.12.08)**

## **CHAPTER 7. INFRINGEMENT OF LAWS AND OTHER NORMATIVE ACTS; RESPONSIBILITY**

### **Article 26. Infringement of laws and other normative acts by PSO**

The Central Bank may call PSO to responsibility, if:

- a) PSO has rendered payment and settlement services by infringing laws and other normative acts;
- b) provisions of principles of operation of PSO have been violated;
- c) the rules of accounting treatment, the procedure and terms and conditions for presentation and release of balance sheet, financial accounts and other statements have been violated, and/or such documents carry misstatements;
- d) PSO has failed to fulfill the Central Bank assignment, as set forth hereunder;
- e) prudential economic standards for PSO have been breached; and
- f) PSO has failed to pay an annual state duty.

**(Article 26 amended AL-131-S, 14.04.11)**

### **Article 27. Imposition of sanction to PSO; License annulment and revocation**

1. For infringement of laws and other normative acts, the Central Bank may impose sanction towards PSO and (or) its manager, as follows:

- a) warning and assignment to remedy infringement;
- b) penalty;
- c) withdrawal of certificate of qualification;
- d) suspension of license; and
- e) revocation of license.

2. Sanctions defined under clauses "a", "b" and "c", hereinabove, may be imposed simultaneously for each case of infringement of laws and other normative acts;

3. The assignment to remedy infringement is mandatory for the PSO and may envisage a deadline for completion.

4. The size of penalty imposed on PSO may not exceed five hundred-fold of the minimum salary; the size of penalty imposed on a PSO manager may not exceed three hundred-fold of the minimum salary, unless established otherwise by law.
5. PSO license is annulled subject to the Central Bank Board resolution.
6. Sanctions defined hereof may be imposed on PSO and its manager PSO as per procedure established by the Republic of Armenia law "On the Republic of Armenia Central Bank".
7. The Central Bank Board may suspend or revoke PSO license also subject to PSO application. Application of PSO may be refused if annulment or revocation of license may destabilize financial system or in other cases defined by law.
8. Furthermore, the Central Bank Board may revoke PSO license in case of PSO liquidation.

**(Article 27 amended AL-131-S, 14.04.11)**

**Article 27.1. Suspension of PSO operations with bank accounts**

1. Where PSO resources are insufficient for honoring legitimate claims of its customers, PSO shall advise the Central Bank thereof within one day.
2. Within three days upon receiving the letter of advice defined hereinabove, or identifying that PSO resources are insufficient for honoring legitimate claims of its customers, the Central Bank Board shall take a decision to suspend operations with PSO bank accounts.
3. Within 1 day upon entry of the Central Bank Board decision to suspend operations with PSO bank accounts into force, PSO shall report to the Central Bank about number of individual creditors and total size of liabilities.
4. PSO shall report to the Central Bank on the progress in covering creditor claims as per terms and conditions established by the Central Bank normative acts.
5. Subject to full redemption of liabilities towards individual creditors, PSO shall advise the Central Bank thereof within three days.
6. Upon examination of the report defined in paragraph 3 hereinabove, the Central Bank may perform on-site inspection as necessary in order to check the process of covering creditor claims.

**(Article 27.1 added, AL-131-S, 04.11)**

## **CHAPTER 8. FINAL PROVISIONS**

**Article 28. Licensing and manager qualification fee**

1. For issuing licenses or duplicates thereof, reformulating licenses, giving information from the registers of license to third parties, and/or participating in the qualification exams, a state duty is applicable (subject to be charged) as and to the extent required by the Republic of Armenia Law on State Duty.
2. For holding professional integrity and qualification exams at the Central Bank, issuing certificates of qualification, recovering the lost certificates, the Central Bank may charge a service fee, as and to the extent determined by the Central Bank.

**Article 29. Entry into force**

This law shall enter into force six months after being published.

### **Article 30. Transitional provisions**

1. Upon entry of this Law into force:

- a) organizations that have established a payment and settlement system shall apply to the Central Bank and receive permission within a six-month period, as required by this Law and the Central Bank normative acts pursuant to this Law;
- b) organizations that participate in foreign payment and settlement system shall apply to the Central Bank and receive permission within a six-month period, as required by this Law and the Central Bank normative acts pursuant to this Law;
- c) organizations that have been licensed to render payment and settlement services prior to entry of this Law into force shall coordinate their activities with the requirements of this Law and the Central Bank normative acts pursuant to this Law. Before this Law enters into force, the licenses issued to such organizations will be reformulated. No state duty is applicable for reformulation;
- d) organizations that have carried out activities pertinent to those of PSO, as provided for herewith, yet have not been licensed to render payment and settlement services prior to entry of this Law into force, shall apply to the Central Bank within a six-month period upon entry of this Law into force for being licensed as PSO. the Central Bank A shall license such parties, if the requirements and stipulations laid down herewith have been met; and
- e) parties being engaged in activities, as determined by Article 18(2) hereinabove, shall notify the Central Bank within a three-month period upon entry of this Law into force, as required by this Law and the Central Bank normative acts. Failure to notify the Central Bank will give rise to responsibility under the laws of the Republic of Armenia.

2. Failure to fulfill the requirements laid down in paragraph 1 herewith, the activities of payment and settlement system, the activities of PSO, and the participation in foreign payment and settlement system shall, upon completion of the set timeframe, be deemed as terminated, and PSO will be subject to liquidation.

**R. Kocharyan,**  
**President of the Republic of Armenia**  
December 21, 2004, Yerevan  
AL-150-S