

REPUBLIC OF ARMENIA

LAW

ON BANKS AND BANKING*

* LA-68, 30.06.1996, effective 01.09.0996.

Includes changes and amendments according to the RA laws:

21.11.01, LA-253, (2001/39(171), 12.12.01),
21.11.01, LA-254, (2001/39(171), 12.12.01),
13.11.02, LA-426-S, (2002/49(224), 14.11.02),
30.03.04, LA-46-S, (2004/21(320), 14.04.04),
22.05.04, LA-65-S, (2004/29(328), 02.06.04),
21.12.04, LA-148-S, (2004/72(371), 28.12.04),
21.12.04, LA-155-S, (2004/72(371), 28.12.04),
11.01.05, LA-23-S, (2005/5(377), 21.01.05),
13.12.05, LA-227-S, (2005/79(451), 21.12.05),
LA-46-S, 2007/6 (530), 24.01.07,
LA-113-S, 2007/18(542), 04.04.07,
LA-181-S, 2007/27(551), 30.05.07.)

CHAPTER I.

GENERAL PROVISIONS

Article 1. Subject of Regulation of the Law

This Law determines the procedure and conditions for registration, licensing, regulation and termination of activities of the banks in the territory of the Republic of Armenia, branches and representations thereof and those of foreign banks, as well as the procedure and conditions of banking supervision.

(Article 1 is amended according to AL-253, 23.10.01)

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

1. The banking system of the Republic of Armenia includes the Central Bank of the Republic of Armenia (hereinafter – the Central Bank), the banks operating in the territory of the Republic of Armenia (including subsidiaries), branches thereof, representations, functional offices (terminals), as well as the branches and representations of foreign banks operating in the territory of the Republic of Armenia.
2. Activities of banks in the territory of the Republic of Armenia shall be regulated by this Law, the laws of the Republic of Armenia on *The Central Bank of the Republic of Armenia, Bankruptcy of Banks, Credit Organizations and Insurance Companies, Banking Secrecy*, other laws, and in cases provided for by the herewith legislation it shall be regulated by the normative regulations of the Central Bank.

(Article 2 is amended according to AL-2454, 26.11.01; AL-227-N, 15.11.05)

Article 3. The Major Objective of the Law

The major objective of this Law is the development, ensuring of reliability and orderly operation of the banking system, and establishment of equal conditions for free economic competition in operation of banks.

Article 4. Bank and Banking

1. Bank is a legal entity, authorized to perform banking activities under license issued according to this Law.
2. Banking activity is the acceptance of deposits or the offer to accept deposits and placement of those deposits on behalf of the accepting party and with a risk factor in loans and deposits and/or by means of investment.

It shall be prohibited to undertake banking activities in the territory of the Republic of Armenia without license issued by the Central Bank (hereinafter – license).

Article 5. Bank Deposit

Banking deposit is the monetary sum provided to a party under established conditions for banking deposit agreement prescribed by the Civil Code of the Republic of Armenia, and which is not provided for guaranteeing undertaking the risk by the depositor, or for leaving a property or rights for the property, compensation for provision of work or services or as means of liability guarantee.

(Article 5 is amended according to AL-253, 23.10.01)

Article 6. Usage of the Word “Bank”

1. The word “Bank” and its derivatives shall be only used by the entities possessing the license, the branches and representations thereof, except for the cases when usage of the word is authorized by the law or an international agreement, or when it is obvious that the usage of the word “Bank” has no reference to banking activities.
2. The banks shall have no right to use such misleading words in their name that could create misunderstanding on the financial capacity or the legal status of the bank.
3. It shall be also prohibited for the entities not having a banking license to use the word “bank” or its variations in their publicity, public offers or in any forms of support of advertisement when such usage leads to understanding of implementation of banking activities by them.

(Article 6 is amended according to AL-253, 23.10.01)

Article 7. Bank Unions and Associations

For the purposes of coordination of their activities, presentation and protection of own interests, exchange of information and jointly addressing other banking-related problems the banks may establish and acquire membership in non-profit banking unions and associations. Banking unions and associations cannot implement banking activities. The banking unions and associations shall notify the Central Bank about their establishment within ten days after official registration by the authorized state body.

Article 8. Related Entities

1. For the purpose of this Law and other laws regulating banking activities the legal entities shall be considered related if:
 - a. a legal entity with the right to vote holds 20% and more of voting shares (equity, stakes, hereinafter – shares) of another entity, or by the power of participation or agreement signed between these entities is capable of predetermining the decisions of the other entity;
 - b. participants hold more than 20% of shares enabling allocated by the bank voting rights in one of the entities or participant (shareholder) or participants (shareholders) have the rights to otherwise rightfully predetermine it’s decisions or their family members have the right to directly or indirectly manage (including but not limited to: selling and buying capacity, licensed management, agreement of joint activities, orders or any other transaction) more then 20% of shares enabling allocated by the bank voting rights or in another rightful form have the capacity to predetermine the decisions of the other entity;
 - c. one third of parties in the managing body of a legal entity or other parties implementing similar functions or their family members are at the same in the managing body or implement similar functions in the other body.
 - d. they have been acting in accord aiming at common economic interests or they have been recognized such by the reasonable opinion of the Central Bank
2. For the purpose of this Law and other laws regulating banking activities physical entities shall be considered related if they are members of the same family, or have common household, or jointly run business activities, or have been acting in accord aiming at common economic interests.
3. For the purpose of this Law and other laws regulating banking activities the legal entities and physical entities shall be considered related if they have been acting in accord aimed at common economic interests, or they have been recognized such by the reasonable opinion of the Central Bank, or if the physical person or a member of his (her) family is:
 - a. a participant holds more than 20% of shares of the legal entity;

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- b. has the capacity to otherwise predetermine the decisions of the legal entity;
 - c. serves as the chairman of the board, deputy chairman of the board or a member of the board, executive director or vice-director, chairman of the directorate or a member of the directorate, chief accountant or deputy chief accountant, chairman of the audit commission or a member of the audit commission, or chairman of the inspection commission or a member of the inspection commission, or a member of other similar bodies;
 - d. an employee of a territorial or structural departments of that entity (including departments, sections and units) having in the opinion of the Central Bank direct link to the main activities of the legal entity, or operation under immediate supervision of its executive director, or having any influence on decision-making process in the managing bodies of the legal entities, when fulfilling the criteria prescribed by the Board of the Central Bank).
4. For the purpose of this Law and other laws regulating banking activities the following relatives shall be considered as members of immediate family: a father, a mother, a spouse, parents-in-law, a grandmother, a grandfather, a sister, a brother, children, brother's and sister's spouses and children.
(Article 8 is amended according to AL-283, 23.10.01; AL-227-N, 15.11.05)

Article 9. Significant participation

1. For the purpose of this Law and other law regulating banking activities the significant participation in the statutory fund of the legal entity can be direct or indirect.
2. For the purpose of this Law and other laws regulating banking activities the participation in the statutory fund of the legal entity shall be considered direct significant if the participant holds over 10% of the allocated by the bank voting rights enabling shares of the legal entity.
3. For the purpose of this Law and other laws regulating banking activities the participation in the statutory fund of the legal entity shall be considered indirect significant if:
 - a. the participant does not have participation (shares, equity, stake) in the statutory fund of the legal entity, or he (she) is holds less than 10% of the allocated by the bank voting rights enabling shares of the legal entity or holds shares with no allocated by the bank voting rights, while under criteria set forth by the Board of the Central Bank by means of that participation through his business authority has the capacity to predetermine directly or indirectly the decisions of the managing bodies of the legal entity or to significantly influence the decision-making or implementation of the decisions, or to predetermine the major directions, fields of operation of the legal entity;
 - b. the participant does not have participation (shares, equity, stake) in the statutory fund of the legal entity, or he (she) holds less than 10% of the allocated by the bank voting rights enabling shares of the legal entity or holds shares with no allocated by the bank voting rights, but has the capacity to predetermine the decisions of the managing bodies of the legal entity, or to significantly influence the decision-making or implementation of the decisions, or to predetermine the major directions, fields of operation of the legal entity through the power of right of claim towards the bank;
 - c. the participant holds more than 50% of the allocated by the bank voting rights enabling shares of the statutory fund of the legal entity having significant participation in statutory capital;
 - d. the participant has/does not have participation in the statutory fund of the legal entity and through his business authority under the criteria set forth by the Board Central Bank has the capacity to predetermine the decisions of the managing bodies of the

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legal entity or to significantly influence the decision-making or implementation of the decisions, or to predetermine the major directions, fields of operation of the legal entity.

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

Article 10. Affiliated Bank

(Article 10 is voided according to AL-253, 23.10.01)

Article 11. Independence of Banks

1. Any influence on the bank management in the process of discharge of official duties and interference with operation of the bank shall be prohibited except for the cases provided for by law.

In accordance with law the managers of a bank may be authorized to wear weapons.

2. The losses caused by the illegal influence on a bank manager or by illegal interference with regular operation of the bank shall be compensated as provided for by the law and other regulations.
3. The Government and banks shall not be responsible for each other's liabilities unless the banks or the Government have undertaken such liabilities. The Central Bank and banks shall not be responsible for each other's liabilities.
4. Banks independently manage ownership, usage and ordering (including re-valuation) of their core assets.

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

CHAPTER 2

ORGANIZATIONAL-LEGAL TYPES OF BANKS, STRUCTURE AND MANAGEMENT

Article 12. Organizational-Legal Types of Banks

1. As provided for by this Law banks shall be incorporated as joint stock companies, limited liability companies or cooperative banks.
2. Banks shall be regulated by legislation on joint stock companies and limited liability companies unless this Law provided for otherwise.
3. The bank shall be considered as a cooperative bank if participants have one vote each regardless of their share in the statutory fund.

The cooperative bank shall have at least three participants.

If the number of participants in a cooperative bank decreases to less than three, the bank shall be liquidated or within six months shall supplement the number of participants.

(Article 12 is amended according to AL-227-N, 15.11.05)

Article 13. Participants of the Bank

1. Participants of a bank are the founders of the bank, shareholders of the banks that are Joint Stock Companies, participants (shareholders, members) of the banks that are limited liability companies or cooperative banks.
2. State agencies and municipal agencies of the Republic of Armenia shall be participants of the bank only in cases and in the mode provided for by laws.
3. Political parties and trade unions cannot be participants of a bank.

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4. The register of the participants of the banks that are Joint Stock Companies shall be kept by the Central Depository, and the register of the cooperative banks or the banks that are limited liability companies shall be kept by the Central Bank.

(Article 13 is amended according to AL-227-N, 15.11.05)

Article 14. Bank Branches

1. Banks operating in the Republic of Armenia may establish branches in the territory of the Republic of Armenia and abroad in accordance with this Law.
2. A branch of a bank is a separated department that has no legal entity of a bank and is located away from the premises of the bank that functions within authorities given to it by the bank and implements banking functions on its behalf and/or implements financial functions provided for by this Law.
3. Foreign banks may establish branches and representations in the territory of the Republic of Armenia as provided for by this Law. Implementation of banking and financial functions by the branch of a foreign bank shall be licensed. The Board of the Central Bank may prescribe additional conditions for acceptance of deposits by foreign bank branches in the territory of the Republic of Armenia. Those conditions shall be the same for all branches of all foreign banks operating in the territory of the Republic of Armenia.

Article 15. Representations of Banks

1. Banks operating in the territory of the Republic of Armenia may establish their representations in the territory of the Republic of Armenia and abroad as provided for by this Law.
2. A representation of a bank is a separated department that has no legal entity of a bank and is located away from the premises of the bank, represents the bank, studies the financial market, signs contracts on behalf of the bank, implements other similar activities. The representation shall not implement banking and financial functions provided for by this law.

Article 16. Functional Offices (Terminals) of the Bank

(Article 16 is voided according to AL-253, 23.10.01)

Article 17. The Statutory Capital of Banks

1. The size of the statutory fund (statutory capital) of a bank shall be set by its charter. The actually replenished statutory fund shall be formed by the investments of the bank's participants. The actually replenished statutory fund shall equal:
 - a. the sum of amounts invested for shares by participants of a bank that is a limited corporation or a cooperative bank,
 - b. the sum of amounts secured by distribution of all types of stocks of a bank that is a joint stock company.
2. The statutory fund of the bank shall be replenished in the currency of the Republic of Armenia.

(Article 17 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 18. Limitations on Acquisition of Significant Participation in the Bank's Statutory Fund

1. A person or related parties may acquire significant participation in the bank's statutory capital through one or a number of transactions only with consent of the Central Bank.
To receive the Central Bank's consent for acquisition of the significant participation in the bank's statutory fund the person through the request of the bank shall

submit to the Central Bank a notification that no other person obtains the status of an indirect significant participant of the establishing bank via his (her) participation, otherwise the person shall submit also the documents specified by the Central Bank about the parties acquiring the indirect significant participation.

To receive the Central Bank's consent for acquisition of the significant participation in the bank's statutory fund the person through the request of the bank shall submit to the Central Bank also sufficient and complete grounds of legality of the sources of funds to be invested (documents, data, etc.), as well as shall submit data in the form specified by the Central Bank about those legal entities (including name, location, financial statements, data about the managers, data about parties holding the significant participation) in statutory fund of which the person, who is acquiring significant participation in the statutory fund of the bank, holds the significant participation.

The list, forms of the documents and all data specified hereinabove and procedure and conditions of their submission to the Central Bank by the party or related parties in order to receive the preliminary consent for acquisition of significant participation shall be determined by the Central Bank.

The Central Bank shall examine all the documents in accordance with this Article within one month after receiving them. The Board of the Central Bank may suspend the one-month period if the need arises to receive clarifications for problems of concern for the Central Bank. The agreement shall be considered received if the request is not denied within one month or the person is not informed of suspension of the one-month period.

2. The Central bank shall waive the request and inform the requesting person within a ten-day period if:
 - a. the person has criminal record for deliberately committed crime;
 - b. the person is deprived by court of the right to hold positions in financial, banking, tax, customs, commercial, economic, law areas;
 - c. is recognized as bankrupt and have outstanding (unforgiven) liabilities;
 - d. previous actions of the person have had resulted in bankruptcy of a bank or of another person;
 - e. the person or related parties previously have undertaken steps that according to the guidelines established by the Central Bank and in the opinion of the Central Bank allow to suspect that actions of the person in the capacity of a member participating in the decision-making in the managing bodies of the bank may result in bankruptcy or deterioration of the financial status of the bank, or diminish its reputation or business credibility;
 - f. the transaction is directed or results in or may result in limitation of economic competition;
 - g. the person and related parties acquiring significant participation in the statutory fund of the bank through this transaction as a result secure dominant position in the banking market of the Republic of Armenia that allows them to predetermine the market value and conditions of services or any one service listed in Article 34 of this Law *infra*;
 - h. the documents have been submitted in infringement of the form and rules prescribed by the Central Bank, or false or unconvincing data is included in the submitted documents or information;
 - i. the participant or related person acquiring significant participation in the statutory fund of the bank through this transaction in the opinion of the Central Bank is in a bad financial state, or the deterioration of the financial state of the significant participant or related parties may cause the deterioration of the financial state of the bank, or the activities of the person acquiring significant participation in the

statutory fund and/or the activities of related parties or their mutual relations with the bank in the opinion of the Central Bank may impede the effective bank supervision, or do not allow to reveal bank risks or manage the risks effectively;

- j. the person does not submit sufficient and complete grounds of legality of the sources of his funds to be invested (documents, data, etc.).

Acquisition of significant participation in the bank's statutory capital without preliminary consent of the Central Bank shall be void and null.

4. The limitations provided for by this Article shall not preclude acquisition of shares in statutory fund of a bank that acts as an issuer and the shares have been acquired through stock exchange under the Armenian Law on *Regulation of the Stock Market* if the acquisition does not exceed the 20% of statutory fund. In case of acquisition of over 20% of stocks, the preliminary consent of the Central Bank shall be secured in accordance with this Article.
5. Physical entities permanently residing or acting in offshore zones, as well as legal entities or entities with no legal status determined or incorporated there and parties related with them may acquire participation in the statutory capital of a bank (regardless of the extent of the participation) through one or a number of transactions only through the procedure outlined in this Article, after securing preliminary consent of the Central Bank. The Board of the Central Bank shall prescribe the list of offshore zones.
The legal entities determined with participation of parties listed in this article or parties related with them may acquire participation in the statutory capital of a bank (regardless of the extent of the participation) only through the procedure outlined in this Article, after securing preliminary consent of the Central Bank.
6. As determined herewith the Central Bank's preliminary consent is required for each new transaction or transactions, if the person's or related parties' participation in the statutory capital of the bank exceeds 10%, 20%, 50% and 75% as a result of transaction or transactions, correspondingly.

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

Article 18¹. Acquisition of another Participation in the Statutory Fund of a Bank

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

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

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

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2. The Central Bank shall waive the application informing the applicant within ten days, if there are grounds specified in point 2 of article 18 or one of the grounds as following:
 - a. prudential economic standards shall be infringed;
 - b. according to the guidelines determined by the Central Bank and in the opinion of the Board of the Central Bank there are ground for suspect that the transaction may cause the deterioration of the financial state of a bank, the undermining of its reputation or business authority.
3. The limitations provided for by this Article shall not preclude acquisition of shares from a significant participant that acts as an issuer, if the shares have been acquired through stock exchange under the Armenia Law on *Regulation of the Stock Market* and the acquisition does not exceed the 20% of the statutory fund. In case of acquisition of over 20% of stocks, the preliminary consent of the Central Bank shall be secured in accordance with this Article.

(Article 18¹ is added according to AL-227-N, 15.11.05)

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

(Article 19 is voided according to AL-253, 23.10.01)

Article 20. Charter of the Bank

1. The charter of the Bank is the founding document of a bank and its provisions shall be binding on the founders, participants and managing bodies of the bank.
2. The charter defines:
 - a. the full and short brand name of the bank;
 - b. the location of the bank;
 - c. the organizational-legal type of the bank;
 - d. in case of a bank in form of a joint stock company – the types of stocks for distribution (regular and privileged), number, nominal value, as well as types of privileged stocks, the rights of owners of each type of privileged stocks;
 - e. the size of the statutory fund of the bank;
 - f. the structure, powers and decision-making procedure of the managing bodies of the bank;
 - g. the procedure for preparation and conduct of general meetings of the bank’s founders and participants, including the list of the questions decisions on which shall be adopted by the managing bodies of the entity by simple majority or unanimously;
 - h. information on the bank’s branches and representations, as well as provisions for establishment and termination of branches and representations of the bank;
 - i. the powers delegated to the bank by the founding bank (in case of a branch of a foreign bank);
 - j. The rules of oversight over the bank by the founding bank (in case of a branch of a foreign bank);
 - k. the procedure of carrying out control by the founder bank (in case of a branch of a foreign bank);
 - l. the bank’s liquidation procedure;
 - m. other provisions envisioned by the law and other regulations.

The charter may also limit for the maximum share of participation by a single founder or a participant of the bank in the bank’s statutory fund (in case of a bank in the form of a

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- joint stock company – the limitation of stocks enabling allocated by the bank voting rights).
3. On demand of any person the bank shall within a five-day period provide him (her) the opportunity to acquaint himself (herself) with the bank's charter, additions and amendments thereto. The bank shall provide that person with a copy of the bank's current charter upon his (her) request. The cost charged by the bank for the provision of the copy shall not exceed the self-cost of the copy.
 4. Additions and amendments to the charter as well as adoption of the new edition of the statute shall be passed by a 3/4 majority of votes of the general meeting of the bank's participants.
(Article 20 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 21. Managing Bodies of the Bank

1. The managing bodies of the bank are:
 - a. the general meeting of the participants of the bank (hereinafter – general meeting);
 - b. the board of the bank (hereinafter - the board);
 - c. the executive director of the bank or the chairman of directorate (hereinafter – executive director), if the charter provides for – the board of directors or the directorate (hereinafter – the directorate).
2. The rules of formation and procedures of the bank's managing bodies and the scope of authorities shall be regulated by the Armenian Law on *Joint Stock Companies* and the charter of the bank, unless this Law provided otherwise.
3. Regardless of their organizational-legal type the banks shall have the managing bodies as specified in point 1 of this Article, the chief accountant and the department of internal audit.
(Article 21 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 21¹. The General Meeting of the Participants of the Bank. Competency of the General Meeting.

1. The general meeting of the participants is the supreme body of bank management.
2. The exclusive competency of the general meeting are as follows:
 - a. the approval of the charter of the bank, of making changes and amendments to it;
 - b. reorganization of the bank;
 - c. liquidation of the bank;
 - d. approval of summary, interim and liquidation balance sheets, assignment of liquidation commission;
 - e. the approval of the numerical strength of the board, election of board members and pre-term termination of their authorities. The approval of the numerical strength and election of board members shall be submitted to the annual general meeting exclusively. The question of the election of board members can be submitted to the special general meeting, if the latter has adopted a decision of pre-term termination of the authorities of the board or of separate members of the board;

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- f. the determination of the maximum size of the announced shares (equity, stake), as well as of the increase of statutory fund of the bank;
 - g. the approval of the external audit firm submitted by the board;
 - h. the approval of bank's annual financial reports, distribution of profit and loss. The adoption of the decision on payment of annual dividends and approval of their size;
 - i. the approval of the procedure of holding the general meeting;
 - j. the formation of the returning board;
 - k. pooling and splitting of shares;
 - l. establishment of subsidiaries or dependent companies;
 - m. participation of subsidiaries or dependent companies;
 - n. establishment of unions of commercial organizations;
 - o. participation in the unions of commercial organizations;
 - p. establishment of the size of remuneration of board members;
 - q. adoption of the decision of non-use of the preemption right in acquisition of shares according to law;
 - r. other matters envisaged by the law in the scope of approved agenda .
4. The exclusive rights of making decisions on the matters listed hereinabove are the exclusive competency of the general meeting and cannot be deputed to the board of the bank, neither to the executive director, his (her) deputies, to the chief accountant (hereinafter – members of executive body) or to another person, except for matters of sub-points (l) to (p) of point 2 of this Article, as well as the matter of increasing of the statutory fund of the bank, the making decision on which can be deputed to the board by the charter of the bank or the decision of its general meeting
(Article 21¹ is added according to AL-227-N, 15.11.05)

Article 21². Activities of the General Meeting

1. The decisions of the general meeting can be made also by correspondence (by means of inquiry), except for matters defined in sub-points (b), (c) and (h) of point 2 of Article 20¹. The annual general meeting cannot be held by correspondence (by means of inquiry). The sessions of the general meeting held by correspondence are convened according to procedure of convening and holding of the correspondence meetings envisaged by the charter of the bank. The decisions of the general meeting can be made in a session during which the participants of the general meeting can communicate with each other through telephone, visual or other types of communications in real time. Such session shall not be considered a session held by correspondence.
2. The right to participate in general meeting have the parties as following:
 - a. the participants of the bank holding ordinary shares (equity, stake) with the number of their votes, as well as the nominee names, if they represent the documents certifying the names of the participants of the bank they represent and the number of the shares (equity, stake) owned by them;
 - b. the shareholders of preferred shares of the bank with the votes according to the number and nominal value of preferred shares they hold in cases determined by the law and the charter of the bank, as well as the nominee names, if they represent the documents certifying the names of the shareholders they represent and the number of the shares owned by them;
 - c. non-participants of the bank – the members of the board or executive body of the bank with deliberative vote;
 - d. the members of internal audit of the bank - as observers;

- e. the person carrying out the external audit of the bank - as an observer (if his conclusion is on the agenda of general meeting);
 - f. the representatives of the Central Bank - as observers;
 - g. other parties envisaged by the charter.
3. The list of the bank participants with the right to participate in the general meeting shall be drawn up as of the year, month and the day set by the board on the ground of the data of the registry of bank's participants.

The year, month and the day of drawing up of the list of participants with the right to participate in the general meeting shall not be set earlier than the day of decision making about the convening the general meeting, neither it can be later than 45 days prior to the day of convening the general meeting.

If the general meeting is convened by correspondence, the year, month and the date of drawing up the list of the participants with the right to participate in it shall be set at least 35 days prior to the day of convening the general meeting.

The banks shall inform the Central Bank about the convening general meeting no later than 15 days before the meeting.

4. For the purpose of drawing up the list of bank participants with the right to participate in the general meeting the nominee name shall present data about those parties in the interests of which he is disposing the shares.
5. The list of the bank participants with the right to participate in the general meeting shall comprise the name of each participant, location (address) and the share of his (her) participation in the statutory fund of the bank. In case of a joint stock company data about the shareholder's participation in the statutory fund in the list of the participants with the right to participate in the general meeting shall be presented per types and classes of shares.
6. The list of the bank participants with the right to participate in the general meeting shall be available for examination by the other participants of the bank, registered in the registry of the participants of the bank.
- Upon request of the bank's participant bank shall give a reference about inscribing his (her) name in the list of the participants with the right to participate in the general meeting.
7. The changes in the list of the bank's participants with the right to participate in the general meeting can be made only with the purpose of correction the mistakes that have been done while drawing up the list or to rehabilitate the infringed rights and lawful interests of the bank's participants that have not been inscribed in the list.

(Article 21² is added according to AL-227-N, 15.11.05)

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

1. The Board of the bank shall carry out the general management of the activities of the bank in the scope of the matters entrusted by the law with competence of the board. The Board shall include minimum 5 members and not more than 15 members. The members of the Board shall be elected at the annual general meeting of the bank by the present participants. The pre-term termination of the authorities of a board member shall be carried out at the special general meeting by the present participants in accordance with the law and the charter.

The candidate board member can be nominated at the general meeting by bank's participants, as well as the Board (except for the first case of formation of the Board).

2. The bank's participants, holding 10 and more percent of the allocated by the bank voting shares (equity, stake) of the bank as of the day of drawing up the list of participants with

the right to participate in the general meeting, shall have the right to be included in the Board or to appoint their representative a board member.

3. The bank's participants, holding less than 10 percent of the allocated by the bank voting shares (equity, stake) of the bank as of the day of drawing up the list of participants with the right to participate in the general meeting, can join and if the allocated by the bank voting shares (equity, stake) of the bank make 10 and more percent they can include their representative in the Board without elections of the general meeting.

To include the participant into the Board as specified hereinabove shall be possible only in case if there is a relevant contract about the creation of the group of bank's participants and if the general meeting is informed about it.

The above contract shall comprise conditions and data as follows:

- a. data about joining participants of the bank, including number of allocated by the bank voting shares (equity, stake) held by them;
- b. a clause to the effect that the contract is concluded for at least one year and till the end of that period the contract is not the subject of changes or termination;
- c. other provisions at discretion of joining participants.

The copies of the contract shall be available for all the participants of general meeting at least 30 days before the day of holding it and at least 30 days before the last day of the period set by the bank for submission of the voting papers if the meeting is held by correspondence.

4. The participants with minor participation in the statutory fund of the bank have the right to include into the Board of the bank their representative who represents their interests.

For the purpose of this point minor participant is considered to be the participant who holds less than 10 percent of allocated by the bank voting shares (equity, stake) and has not concluded the contract as specified in point 2 of this Article. The authorized representative of minor participants shall be nominated by them and shall be included into the Board without elections of the general meeting.

The choice of the representative of minor participants shall be carried out only by minor participants who are present at the session of general meeting or by their representatives, even if they are one in number. The participants concluded the contract as specified in point 3 of this Article shall not take part in the election of the representative of participants with minor participation in the statutory fund of the bank.

The procedure of choice of the representative of minor participants, his (her) nomination and including into the Board is determined by the charter. Information as required by the law about the nominated representative of the participants with minor participation in the statutory fund of the bank shall be presented to all the participants of the general meeting by the Board at least 30 days before the day of holding it and at least 30 days before the last day of the period set by the bank for submission of the voting papers if the meeting is held by correspondence.

(Article 21³ is added according to AL-227-N, 15.11.05)

Article 21⁴. Members of the Board.

1. The members of the board shall not be related parties. The members of the board and the members of the executive body shall not be related parties.
2. The members of the board shall be remunerated.
The general meeting shall determine the period of the office of the board members, which shall not be less than one year.

(Article 21⁴ is added according to AL-227-N, 15.11.05)

Article 21⁵. Chairman of the Board

1. The chairman of the board is elected by the board from the board staff.

The chairman of the board shall:

- a. organize the works of the board;
- b. convene the sessions of the board and preside them;
- c. organize the keeping of protocols of the board sessions;
- d. preside the general meeting of the bank;
- e. organize the work of commissions under the board.

(Article 21⁵ is added according to AL-227-N, 15.11.05)

Article 21⁶. Competency of the Board.

1. The competencies of the Board are as follows:
 - a. determination of core activities of the bank, including the approval of the program of perspective development of the bank;
 - b. convening annual and special sessions of general meetings, approval of agenda, ensuring the implementation of organizational works for convening and holding the meetings;
 - c. appointment of the members of the executive body of the bank, pre-term termination of their authorities and approval of terms and conditions of their remuneration;
 - d. determination of standards of internal control in the bank, formation of the internal audit of the bank, approval of its annual performance plan, pre-term termination of the authorities of internal auditors and approval of terms and conditions of their remuneration;
 - e. approval of the bank's annual estimate of expenditures and of the performance;
 - f. approval of administrative and organizational structure of the bank and of the list of members of its staff;
 - g. increase of statutory fund of the bank, if the board is entrusted with such competency by the charter or the decision of the general meeting;
 - h. proposals to the general meeting about the payment of dividends, as well as for each payment of dividends - drawing up the list of the bank participants with the right to receive dividends; the list shall comprise those participants, that are included in the bank registry as of the day of drawing up the list of the participants having the right to participate in the annual general meeting of the bank;
 - i. preliminary approval of bank's annual financial reports and their submission to general meeting;
 - j. presentation of the external auditor of the bank to the approval of general meeting;
 - k. determination of the amount of payment of the external auditor of the bank;
 - l. undertaking and implementation of the measures aimed at elimination of the shortcomings detected as a result of audit or other examinations carried out in the bank;
 - m. adoption of the regulations determining the procedure of carrying out financial operations of the bank under this Law;
 - n. approval of the charters of the bank and its independent structural subdivisions, distribution of functions between them;

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- o. submission of matters envisaged in sub-points (b), (l-p) of Article 20¹ (point 2) of this Law to the general meeting;
 - p. decision making on allocation of bonds and other securities of the bank;
 - q. use of reserve and other funds of the bank;
 - r. establishment of branches of the bank, representations and offices;
 - s. determination of bank's accounting policy, i.e. determination of the principles, grounds, means, rules, forms and procedures of bookkeeping and financial reporting;
 - t. decision making on other matters under the law.
2. The decision-making on the above matters belongs to the exclusive competency of the board of the bank and shall not be deputed to other bodies of bank management or other parties, except for the case defined hereunder.

In the meaning of the approved annual estimate of bank's expenditures the competency of approval of the list of the members of the staff envisaged by sub-point (f) of point 1 of this Article can be deputed to the executive director (director) of the bank by the charter of the bank or the decision of general meeting.

3. At least once a year the board of the bank shall examine at the session the auditor's report (letter to manager), as well as shall discuss and review, if needed, the core trends of activities of the bank, its strategy, regulations and other normative regulations.
4. At least once in a quarter the board of the bank shall examine the reports of the internal audit department, of executive director (director) and chief accountant according to procedure and form set by the bank.

(Article 21⁶ is added according to AL-227-N, 15.11.05)

Article 21⁷. Meetings of the Board

1. The meetings of the board of the bank shall be convened at least once in two month. The procedure of convening and holding of meetings shall be determined by the charter of the bank.

The chairman of the board shall convene the meetings of the board of the bank upon his written request of him, upon request of a member of the board, executive director of the bank (director), head of the internal audit subdivision, the party carrying out external audit of the bank, the Board of the Central Bank, as well as upon written request of bank participant (participants) holding 5 and more percent of voting shares (equity, stake) of the bank.

2. The meeting of the board of the bank can be convened by correspondence according to procedure of convening and holding of the correspondence meetings envisaged by the charter of the bank. The board can make decisions at a meeting during which the participants of the board meeting can communicate with each other through telephone, visual or other types of communications in real time. Such meeting shall not be considered a meeting held by correspondence. The matters specified in sub-points (c), (d), (j) and (n) of point 1 of Article 20⁶, as well as the approval of the program of annual perspective development of the bank and the question of election of the chairman of the board shall not be settled at the board meetings held by correspondence.
3. The quorum of the board meetings shall be determined by the charter of the bank and shall not be less than the half of the number of board members. The decisions of the board shall be made by a majority of board members present at the meeting, unless otherwise envisaged by this Law, either unless more number of votes envisaged by the regulation of the board approved at the general meeting. Each board member has only

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one vote. The devolution of the vote or of the voting right to another party (including to another member of the board) is prohibited. In case of equality of votes the vote of the chairman of the board is decisive, unless otherwise envisaged by the charter.

4. All the items of the agenda of board meeting can be discussed only with the compulsory participation of the executive director of the bank, except for matters of pre-term termination of authorities of executive director and terms and conditions of his (her) remuneration. The executive director of the bank shall participate in the meetings of the board with deliberative vote.
5. The meetings of the board shall be minuted. The minutes of the meeting shall be recorded within 10 days after the session. The minute shall include as follows:
 - a. the year, month, day, hour and the place of convening of meeting;
 - b. parties participated at the meeting;
 - c. agenda of the meeting;
 - d. items for voting, as well as the results of voting by each board member participated in the meeting;
 - e. decisions made at the meeting.

The minute of the board meeting shall be signed by all the participants who become responsible for accuracy and authenticity of data in the minute.

The meetings of the board are held by the chairman of the board. He shall sign the decisions. The chairman of the board is responsible for the authenticity of data in the decision.

(Article 21⁷ is added according to AL-227-N, 15.11.05)

Article 21⁸. Commissions under the Board

The board of the bank can establish commissions to make work of board effective. The commissions under the board can include the board members of the bank and other managers of the bank or employees. The commissions under the board are deliberative.

(Article 21⁸ is added according to AL-227-N, 15.11.05)

Article 21⁹. Grounds for Pre-term Termination of Authorities of Board Member

1. The authorities of board member are pre-term terminated in accordance with his (her) application or in cases if:
 - a. he (she) has been recognized incapable or partly capable by the court decision in force;
 - b. during his office some facts have been detected in accordance with which he (she) is not allowed to be a member of the board;
 - c. was absent from at least 1/4 of the number of sessions held during one year by unreasonable excuse or from the half of the sessions in sum (including both acceptable and unreasonable absences). In the meaning of this sub-point the presence both in real-time and by correspondence specified by the charter of the bank shall be considered as full presence;
 - d. has been deprived of his (her) qualification or of the right to hold a definite position.
2. The authorities of a board member can be pre-term terminated and he (she) shall be reimbursed the amount of the salary for the remaining months of his (her) term of authority, and if the period is more than one year he (she) shall be reimbursed the amount of salary set for one year.

The bank shall have the right to reclaim judicially the reimbursed salary of the dismissed board member by proving at court the fact of neglecting his duties.
(Article 21⁹ is added according to AL-227-N, 15.11.05)

Article 21¹⁰. Executive Director of the Bank, Directorate of the Bank

1. The current management of the bank is performed by the executive director and in cases envisaged by the charter - the directorate. The executive director can have deputies. The executive director (members of directorate) is (are) appointed by the board, deputies – by the board at the suggestion of executive director.

If a directorate is envisaged by the charter the authorities of the executive director and the directorate shall be differentiated clearly.

2. The directorate shall act on the ground of the charter, as well as the bank's internal documents (regulations, order of business and other documents) that determine the procedure and terms of convening and holding the meetings of directorate and the procedure of decision making by directorate.

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

6. The meetings of the directorate shall be minuted. The minutes of meetings shall be available for the board, internal auditor, and the external auditor upon their request. The minute shall be recorded within 10days after the meeting. The minute shall include as follows:

- a. the year, month, day, hour and the place of convening of meeting;
- b. the parties participated at the meeting;
- c. the agenda of the meeting;
- d. the items for voting, as well as the results of voting by each directorate member participated in the meeting;
- e. the decisions made at the meeting.

The minute of the directorate meeting shall be signed by all the participants who become responsible for accuracy and authenticity of data in the minute.

The meetings of the board are held by the executive director. He shall sign the decisions of the meeting. The executive director is responsible for the authenticity of data in the decision.

3. The executive director of the bank shall have as an the exclusive right to represent the bank in the Republic of Armenia and in foreign countries, conclude transactions on behalf of the bank, acts on behalf of the bank without letter of attorney, gives letters of attorney.

The executive director or directorate shall:

- a. submit to the approval of the board internal regulations, regulations of separated subdivisions, the administrative and organizational structure of the bank;
- b. dispose property of the bank, including financial assets, issue orders, resolutions, give instructions in the scope of authorities and control their performance;
- c. accept for employment and dismiss the bank employees;
- d. give incentives to the employees and use disciplinary punishment;
- e. ensure the performance of decisions of the general meeting and the board of the bank;
- f. perform other authorities in connection with current management of the bank envisaged by the charter and regulations approved by the board.

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The matters that are not ascribed to the authorities of general meeting, board or internal audit subdivision by the law or the charter shall be in the competence of executive director (directorate).

The executive director of the bank shall timely submit reports about his work according to procedure determined by the board not less than once in a quarter.

The decision making on matters that are in the competence of executive director shall not be deputed to other bodies of bank management, bank internal audit, chief accountant of the bank or other party, except for the case when the authorities of the executive director are duly deputed to a substituting person. The authorities of the executive director can be duly deputed to a substituting person if the qualification and the professional integrity of the latter comply with the requirements determined by the Central Bank.

4. The authorities of an executive director are pre-term terminated by the board in accordance with his (her) application or in cases if:
 - a. he (she) has been recognized incapable or partly capable by the court decision in force;
 - b. during his office some facts have been detected in accordance with which he (she) is not allowed to be an executive director;
 - c. he (she) has been deprived of his (her) qualification or of the right to hold a definite position.
5. The authorities of an executive director can be pre-term terminated and he (she) shall be reimbursed the amount of the salary for the remaining months of his (her) term of authority, and if the period is more than one year he (she) shall be reimbursed the amount of salary set for one year.

The bank shall have the right to reclaim judicially the reimbursed salary of the dismissed executive director by proving at court the fact of neglecting his duties.

(Article 21¹⁰ is added according to AL-227-N, 15.11.05)

Article 21¹¹. Chief Accountant of the Bank

The chief accountant of the bank or the person performing such duties (in the text - chief accountant) has the rights and performs the duties determined for the chief accountant in the Armenian Law on *Accounting*.

The chief accountant of the bank is appointed by the board of the bank at the suggestion of the executive director (directorate).

The rights and duties of the chief accountant shall not be deputed to general meeting, board, members of executive body, subdivision of internal audit or to other party.

The chief accountant shall submit a financial statement to the board of the bank and the executive director at least once in a quarter in accordance with the form and content set forth by the board.

The chief accountant shall be responsible for keeping the accounts of the bank, for the state and authenticity of accounting, for timely submitting the annual report, financial and statistical reports set forth by the law and other regulations to the public management bodies, as well as for the authenticity of financial information about the bank provided to bank participants, creditors, press and other means of mass media in accordance with the law, other regulations and the charter of the bank.

(Article 21¹¹ is added according to AL-227-N, 15.11.05)

Article 21¹². Subdivision of Internal Audit

1. The head of the subdivision of internal audit (hereinafter – internal audit) and the members are appointed by the board of the bank. The members of bank management bodies, other managers and employees, as well as parties related with the members of executive body shall not be the members of the internal audit.

The head of the internal audit and its members shall maintain the business discipline set forth for bank employees.

2. The internal audit of the bank in accordance with the regulations approved by the board shall:
 - a. carry out control over current activities of the bank and its operational risks;
 - b. carry out control over implementation of law, other legal and internal acts of the bank by the executive director of the bank (directorate), territorial and structural subdivisions, performance of orders given to the executive director (directorate);
 - c. give opinion of and make suggestions on matters submitted by the board or on its own initiative.

The decision-making on matters that are in the competence of internal audit shall not be deputed to other bodies of bank management or other parties.

3. The head of the audit department shall submit to the board and the executive director (directorate) the reports as follows:
 - a. regular report about the results of inspections set forth by the annual plan;
 - b. special report if in the well-reasoned opinion of the internal audit substantial infringements have been detected and the report shall be strictly presented to the chairman of the board if the infringements are the result of deeds or lack of deeds of the executive director (directorate) or the board.

In cases envisaged by this point the reports shall be presented within maximum two business days after detecting the infringement.

In case of detecting infringements of laws, other regulations the report of internal audit about it to the board of the bank together with the suggestion of measures for elimination of those infringements and prevention of repeating in future.

4. Auditing Commission shall not be established in the bank.

(Article 21¹² is added according to AL-227-N, 15.11.05)

Article 22. Managers of Bank, their Qualification Assessment

1. Managers of the bank are: the chairman of the board of the bank, his (her) deputy and members of the board, executive director, his (her) deputies, chief accountant and his (her) deputy, head of internal audit, members of the internal audit, members of bank's directorate, as well as heads of territorial and structural subdivisions of the bank (heads of department, division, unit), as well as employees of the departments having in the well-reasoned opinion of the Central Bank direct link to the main activities of the bank, or operating under immediate supervision of its executive director, or having any influence on decision-making process in the managing bodies of the bank, when satisfying the criteria determined by the Central Bank.
2. The parties cannot be bank managers if:
 - a. they have criminal record for deliberately committed crime;
 - b. are deprived by court of the right to hold positions in financial, banking, tax, customs, commercial, economic, law areas;
 - c. are recognized as bankrupt and have outstanding (unforgiven) liabilities;
 - d. their qualification and professional integrity do not comply with the criteria determined by the Central Bank;

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- e. they committed actions in the past that according to the guidelines established by the Central Bank and in the opinion of the Central Bank give grounds to suspect that the given person as bank manager is not able to direct the relevant field of banking activity, or his action may cause the bankruptcy of the bank, deterioration of the financial state or undermining business reputation of the bank;
 - f. are engaged in a criminal case as suspect, defendant or accused.
3. The Central Bank shall have the right to determine the procedure for assessment the qualification and the criteria of their professional integrity.
 4. The chairman or the member of the board of the bank cannot be at the same time the member of the executive body of the given bank or other employee, as well as a member of board of another bank or credit organization, a member of executive body or other employee, except for the case when the given bank or other bank or credit organization are related parties.

The executive director of the bank, the deputy director, the chief accountant, members of directorate, the head of internal audit and its members cannot be at the same time an executive director of another bank, his (her) deputy, a chief accountant, a member of directorate, head of internal audit or its member.

The members of the executive body of the bank can perform besides scientific, educational and creative work other work for pay only with the permission of the board of the bank.

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

CHAPTER 3

PROCEDURE OF BANKING LICENSING

Article 23. Banking License

1. The banking license is the document issued by the Central Bank to certify the permission to perform banking.
2. The Central Bank shall have the exclusive right to issue a banking license.
3. The banking license has no time limit and the rights given by it cannot be transferred or otherwise alienated.
4. The banking license shall contain the following information: the license number, date of issue, the full business name of the licensed bank or the branch of a foreign bank and the registration number. The Central Bank shall issue a single form of the banking license.
5. The banking license may be invalidated or become null and void by a decision of the Central Bank in cases outlined by this Law.
6. In the case of liquidation of a bank or a branch of a foreign bank the banking license is null and void and shall be returned to the Central Bank under the procedure and within the period determined by the latter.
7. In case of loss of the banking license the bank or the branch of the foreign bank shall immediately inform the Central Bank. The Central Bank shall restore the lost banking license within one month after receiving the request from the bank or the branch of the foreign bank.

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8. The process of licensing banking activities is regulated by this Law and by the legislative acts of the Central Bank. In case other provisions for licensing banking activities in other laws contradict provisions of this Law the latter shall prevail.
(Article 23 is amended according to AL-253, 23.10.01)

Article 24. Stages of Licensing

1. The licensing process shall commence at the moment of submission of the letter of request to obtain the preliminary consent to licensing banking activities and finish at the moment of licensing or waiving the request.
2. The stages of the process of licensing shall be as follows:
 - a. preliminary consent to licensing;
 - b. registration of a bank or of the branch of a foreign bank;
 - c. licensing.

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

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

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

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

Article 26. Preliminary Consent to Licensing

1. Within one month after submission of the documents set forth in Article 25 of this Law in the manner and under the procedure specified by the Central Bank, the Central Bank shall study the letter of request. The Central Bank may waive the letter of request, if:

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- a. the activities of the prospective bank or of the branch of the foreign bank would contradict laws and other regulations;
 - b. the operational plan of the bank or of the branch of the foreign bank does not comply with the form specified by the Central Bank and/or according to the criteria determined by the Central Bank and in the well-reasoned opinion of the Central Bank if acting according to that plan the bank would be unable to perform normal banking activities, or the economic program is non-realistic;
 - c. in case of a branch of a foreign bank the foreign bank is not authorized to perform banking activities in the country of incorporation and its primary operation, or the Central Bank considers that the banking supervision agencies of the country of incorporation and primary operation of the bank do not implement due control over the bank and its foreign branches as of a single system;
 - d. the party acquiring the significant participation in the statutory fund of the bank or the related legal entities in the well-reasoned opinion of the Central Bank is in bad financial state, or the deterioration of the financial state of the party acquiring significant participation or of the related legal entities may cause the deterioration of the financial state of the bank, or the activities of the parties acquiring the significant participation in the statutory fund of the bank and/or of the related legal entities or their interrelations with the bank in the well-reasoned opinion of the Central Bank may impede the effectiveness of banking supervision performed by the Central Bank or prevent the detection or handling of bank risks.
2. The one-month period required by the Central Bank for the consideration of the letter of request may be suspended by the decision of the Board of the Central Bank. If the application is not waived within one month or the decision on suspension of the period is not notified to the party, the preliminary consent shall be perceived as granted. The Central Bank shall be bound to provide its decision on preliminary consent to the party that has submitted the letter of request within one day upon the request of the latter.
 3. Decision of the Central Bank to give the preliminary consent or to waive the application shall not be a subject to appeal to the court.

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

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

1. The following documents shall be presented for the registration by the Central Bank of a bank or of a branch of a foreign bank:
 - a. application for registration, the decision or the extract of the protocol of the general meeting of the participants of the bank or of the equivalent managing body of the bank or of the foreign bank to the effect of approval of the bank's or the foreign bank's branch's charter and election (appointment) of the bank managers;
 - b. reference on activities of the managers of the bank or of the branch of the foreign bank in the form specified by the Central Bank;
 - c. the charter of the bank or the charter of the foreign bank's branch approved by the foreign bank;
 - d. the list of the managers of the bank or of the foreign bank's branch, their authenticated signatures;
 - e. statement on absence of grounds provided for by Article 18 of this Law for the parties holding the significant participation in the bank's statutory fund in the form specified by the Central Bank;
 - e. i) the required by the Central Bank data about parties acquiring significant participation in the statutory fund of the prospective bank in the manner,

procedure and conditions specified by the Central Bank, including statements of the given significant participants that no other party is acquiring the indirect status of a significant participant of the prospective bank via their participation, otherwise these parties holding significant participation also submit to the Central Bank the required by the latter documents concerning the parties holding indirect significant participation,

e. ii) data on those legal entities in the manner, procedure and conditions specified by the Central Bank (including name, location, financial statements, information about managers, significant participants) in which the party, acquiring the significant participation in bank's statutory fund, holds the significant participation;

f. other documents specified by the Central Bank.

2. Within one month after receiving all the documents set forth in point 1 of this Article the Central Bank shall register the bank or the branch of the foreign bank or waive the registration. The one-month period may be suspended by indefinite time for the purpose of receiving certain information by the Central Bank. The bank shall be considered registered if the Central Bank does not waive the application for registration within the one-month and the party is not notified of suspension of the one-month period.
3. The Central Bank shall waive the application for registration of the bank or of the foreign bank's branch if the information in the submitted documents contains doubtful or false data, or the presented documents are incomplete or insufficient, or the party acquiring the significant participation in the statutory fund of the bank or the related legal entities in the well-reasoned opinion of the Central Bank is in bad financial state, or the deterioration of the financial state of the party acquiring significant participation or of the related legal entities may cause the deterioration of the financial state of the bank, or the activities of the parties acquiring the significant participation in the statutory fund of the bank and/or of the related legal entities or their interrelations with the bank in the well-reasoned opinion of the Central Bank may impede the effectiveness of banking supervision performed by the Central Bank or prevent the detection or handling of bank risks.
4. The bank or the branch of the foreign bank shall be registered only in case of existence of the required minimum size of the statutory capital amount determined by the Central Bank in the relevant account with the Central Bank.
5. The bank shall receive the status of a legal entity from the moment of registration by the Central Bank.
6. Within a three-day period after adopting the decision on registration of the bank or of the branch of the foreign bank the Central Bank shall provide the founders with the registration certificate.
7. Within a five-day period after adopting the decision on registration of the bank or of the branch of the foreign bank the Central Bank shall notify the state body authorized to register enterprises for the latter to make relevant record on registration of the bank or of the branch of the foreign bank.

(Article 27 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 28. Registration of a Branch and of a Representation

1. Branches of the banks operating in the territory of the Republic of Armenia being founded in the territory of the Republic of Armenia shall be registered by the Central Bank upon submission of the documents as follows:
 - a. the decision of the bank or the extract from the protocol on founding the branch of the bank;
 - b. the letter of request of the bank;

- c. the charter of the branch,
 - d. reference on activities of the managers of the bank or of the branch of the foreign bank in the form specified by the Central Bank. The Central bank may examine the managers of the branch to assess their professional integrity;
 - e. the operational economic plan of the prospective branch in a form determined by the Central Bank that shall include the internal organizational structure, the prospective financial operations and the main fields of activity, approximate structure and composition of assets and liabilities, and planned calculation of profits and losses for the upcoming two years;
 - f. the document verifying the provision of premises for the branch and the compliance of technique with the requirements determined by the Central Bank;
 - g. other documents required by the Central Bank.
2. For registration of representation of a bank or of a foreign bank in the territory of the Republic of Armenia the following documents shall be presented to the Central Bank:
 - a. letter of request of the founder bank;
 - b. grounds for establishment of the representation;
 - c. a copy of the charter of the founder bank;
 - d. charter of the representation;
 - e. other documents specified by the Central Bank.
3. Banks operating in the territory of the Republic of Armenia shall receive the approval of the Central Bank to establish branches and representations out of the territory of the Republic of Armenia, presenting the letter of request of the founder bank, the economic program of the establishment of the branch and other documents required by the Central Bank, and shall get registered in the Central Bank after registration (licensing) in the foreign country under the procedure prescribed by the legislation of the respective country, presenting the document certifying the registration (licensing).
4. Within a one-month period after receiving the letter of request and the required documents prescribed by this Article, the Central Bank shall register the branch or the representation and shall issue the registration certificate, and in case of waiving it shall notify the bank on the grounds of waiving within a ten-day period. The one-month period specified for the consideration of the registration request may be suspended to receive some information requested by the Central Bank. If the letter of request is not waived within one month or the decision on suspension of the period is not notified to the party, the preliminary consent shall be perceived as granted. The grounds for waiving the registration of the branch or of the representation shall be determined by the Central Bank.
5. Within five days after adopting the decision on registration of the branch or of the representation the Central Bank shall inform the state body authorized to register enterprises for the latter to make relevant record on registration of the branch or of the representation.
6. The Central Bank may waive request for registration of the bank's branch within the territory of the Republic of Armenia or out of the territory of the Republic of Armenia if:
 - a. doubtful or false data are included in the submitted documents;
 - b. documents are incomplete;
 - c. the premises and the technique of the branch do not comply with the requirements determined by the Central Bank;
 - d. the professional integrity or qualification of the managers of the bank's branch do not comply with criteria determined by the Central Bank,
 - e. within a one-year period preceding the submission of the documents for the registration of the branch to the Central Bank the bank has infringed main

- prudential standards, or the survey estimation of the bank is below the threshold determined by the Board of the Central Bank, or the establishment of the branch according to the criteria of the Central Bank will result in deterioration of the financial state of the bank;
- f. in the case of establishing a branch out of the territory of the Republic of Armenia - the bank does not prove the necessity of establishment of the branch in the given country and in the well-reasoned opinion of the Board of the Central Bank plans for money laundering;
 - g. there are other grounds determined by the Central Bank,
 - h. in case of establishing a branch out of the territory of the Republic of Armenia, by the well-reasoned opinion of the Central Bank, the body responsible for banking supervision in the given country does not supervise the banks, registered in the given country, accurately and in accordance with international criteria, or the given country does not allow the Central Bank to control or accurately supervise the branch.
7. The Central Bank may waive the request for establishing a representation in the territory of the Republic of Armenia by a bank or a foreign bank, or refuse the consent to establishment of the representation of a bank operating in the territory of the Republic of Armenia abroad if:
- a. doubtful or false data are included in the submitted documents;
 - b. documents are incomplete;
 - c. in the opinion of the Central Bank the establishment of representation will result in deterioration of the financial state of the bank,
 - d. there are other grounds determined by the Central Bank.
8. The Board of the Central Bank shall establish the rules and conditions for termination and temporary suspension of the activities of a branch and of a representation. In cases, and under rules and conditions provided for by the Central Bank it may reject the termination or temporary suspension of the activities of a branch or of a representation.
- (Article 28 is amended according to AL-253, 23.10.01; AL-46-N, 03.03.01; AL-227-N, 15.11.05)*

Article 29. Essential Conditions for Licensing

1. Within a one-year period after receiving the preliminary consent of the Central Bank a bank is bound to apply to the Central Bank for licensing. The Central Bank shall issue the license to the registered bank or a branch of a foreign bank within a one-month period if the following criteria is satisfied:
 - a. the minimum size of the total capital determined by the Central Bank is fully completed;
 - b. the premises obtained or rented for the banking activities and the level of technical equipment comply with the requirements determined by the Central Bank and with the economic program of the bank or of the branch of a foreign bank;
 - c. the internal organizational structure and the functional system of the bank or of the branch of a foreign bank have been established;
 - d. the qualification and professional integrity of the bank's or the foreign bank's branch's management, except for the heads of structural departments, satisfy the requirements of the Central Bank. The Central Bank may examine the management of the bank or of the branch of the foreign bank to check on their professional compliance;

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- e. in case of a branch of a foreign bank the consent of the governmental agency implementing banking supervision in the country of incorporation or of primary operation of the bank to allow for the establishment of the branch in the Republic of Armenia is obtained;
 - f. other criteria determined by the Central Bank.
2. The one-month period for the consideration of the licensing request may be suspended for the purpose of fulfilling certain additional criteria as required by the Central Bank.
3. The Central Bank may waive the licensing request if after the bank was granted the preliminary consent and was registered the conditions allowing such actions had changed significantly, and/or after registration of the bank the bank's management has undertaken illegal, discrediting deeds, the financial state of the parties having significant participation in the statutory capital of the bank has changed.
4. If the request is not submitted timely as provided for in point 1 of this Article, the preliminary consent and the registration granted by the Central Bank shall be considered null and void.

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

Article 30. Payments Related to Registration and Licensing

For registration and licensing of banks, foreign banks' branches, other parties, registration of bank's branches and representations, granting qualification certificates to bank managers, restoration of the lost license or of the registration certificate state duties shall be collected in amounts and under procedure determined by the Armenia Law on *State Duty*. The Central Bank may charge service fee determined by it from the parties who take examination for assessment of their professional integrity and qualification.

(Article 30 is amended according to AL-253, 23.0.01, AL-46-N, 03.03.04)

Article 31. Registry of Banks

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

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

(Article 31 is amended according to AL-253, 23.10.01)

Article 32. Voiding the License, Legal Consequences

1. The Board of the Central Bank may void the banking license if the bank or the branch of a foreign bank has been granted license on the basis of false documents or such information.

For the purpose of this Law the information or documents shall be considered false if they served as the basis for decision on licensing and the licensing request would have been waived if the information or the documents were accurate and/or reliable.

2. The decision of the Board of the Central Bank to void the license shall be immediately published in mass media.

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3. The bank shall lose its right to implement banking activities from the day the decision to void the license comes into force, except for the transactions aimed at fulfillment of undertaken obligations, disposal of assets and their final allocation. From the moment the decision of the Board of the Central Bank to void the license comes into force the bank shall be subject to liquidation in accordance with the law.
4. The bank or the branch of a foreign bank shall be immediately informed in writing about the decision of the Board of the Central Bank to void the license along with the grounds for such a decision. The appeal to the court against the decision of the Board of the Central Bank to void a banking license shall not suspend the implementation of the decision for the period of the court hearing.
5. The banking license of the bank shall be voided only in the manner provided for by this Law. In case when other laws prescribe for other rules of voiding the license, the provisions of this Law shall prevail.

(Article 32 is amended according to AL-253, 23.10.01)

Article 33. Registration of Amendments

1. The banks and branches of a foreign bank operating in the territory of the Republic of Armenia submit amendments for the registration by the Central Bank, as follows:
 - a. amendments to the charter of the bank and of the branch of a foreign bank;
 - b. changes in the management personnel (except for the heads of structural departments);
 - c. other amendments provided for by the law or by the Central Bank's regulations.

2. The Central Bank register or deny the registration of the amendments provided for by paragraph 1 of this Article within a one-month period after receiving the documents requested by it for the registration of the aforementioned amendments. The one-month period may be suspended to receive some clarifications requested by the Central Bank. In absence of rejection or of a notification to the bank on suspension of the one-month period the amendment shall be considered as registered.

The Central Bank shall register the amendments if those do not contradict the laws and other regulations and have been submitted in a due manner and form. The Central Bank shall establish the manner and form for the submission of the request to register the amendments.

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

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

(Article 33 is amended according to AL-253, 23.10.01)

Article 33¹. Voiding of Registration

The decision (order) of the Board or of the Chairman of the Central Bank confirming the facts subject to registration at the Central Bank shall be considered voided by the decision (order) of the Board or of the Chairman of the Central Bank in a manner provided for by this Law if the bank has submitted to the Central Bank false documents and information for the purpose of registration of a branch, representation or of an amendment provided for by this Law or for the purpose of receiving certificate of

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qualification, professional integrity of the management of the bank, or in other cases stipulated by this Law.
(Article 33¹ is added according to AL-253, 23.10.01)

CHAPTER 4

REGULATION OF THE BANKING ACTIVITIES

Article 34. Financial Operations

1. The banks, branches thereof, branches of foreign banks operating in the territory of the Republic of Armenia in a manner provided for by laws and other regulations may:
 - a. accept demand and term deposits;
 - b. provide commercial and consumer credits, including mortgage, financing of the debt and commercial transactions, factoring;
 - c. provide bank guarantees and letters of credit;
 - d. open and run accounts, including correspondent accounts of other banks;
 - e. provide payment services and/or otherwise serve the customers' accounts;
 - f. issue, purchase (discount), sell off and serve securities, perform other similar operations;
 - g. implement investment and subscription activities;
 - h. provide services of financial agent (representative), manage the securities and investments owned by other parties (trust management);
 - i. purchase, sell off and manage bank gold and standardized bullions and commemorative coins;
 - j. purchase, sell off (exchange) foreign currency, including completion of dram to a foreign currency futures, options and other similar transactions;
 - k. implement financial lease;
 - l. take to safe custody precious metals, cards, jewelry, securities, documents, and other valuables;
 - m. provide financial and investment-related consulting;
 - n. establish and serve the information system of customers' creditworthiness and implement debt collection activities,
 - o. sell insurance policies and/or agreements, carry out operations of insurance agent according to law.
2. The Central Bank may allow the banks to implement activities or operations that are not directly provided for by this Law if those origin from or are closely related with banking activities or operations provided for by this article and if allowing for those does not contradict the objectives of this Law and does not substantially endanger the interests of the bank's depositors and creditors.
3. Banks may sign any civil contract necessary or expedient to implementation of the activities provided for by this Law.
Banks shall be prohibited to implement industrial, trade and insurance activities if the law does not provide otherwise.

(Article 34 is amended according to AL-253, 24.11.04; AL-155-N, 24.11.04)

Article 35. Investment and Subscription Activities

1. Banks may implement investment activities by means of purchase or other form of acquisition, alienation of shares, bonds and other investment securities on their own behalf or on behalf and at the account of their customers, as well as acquire shares, bonds and other investment securities of other parties (issuers) for the purpose of allocation (subscription activities).

Banks shall be prohibited from allocating a party's securities at the same time providing loans to the same party for serving the obligations under the same securities.

2. The banks shall be prohibited from implementing without preliminary consent of the Central Bank activities or transactions that would result in the bank's participation as follows:
 - a. the participation in the statutory capital of another party that equals or is more than 4.99 percent;
 - b. the participation in the statutory capital of one party exceeds 15 percent of the total capital of the bank;
 - c. the participation in the statutory capital of all parties exceeds 35 percent of the total capital of the bank.

When acquiring participation in the other parties' capital as provided for by this paragraph the bank shall consolidate the balance sheets of those parties within its own one as provided for by the Central Bank. The Central Bank shall implement supervision in a manner and under conditions determined by it over the parties whose balance sheets have been consolidated within the bank's balance sheet (consolidated balance sheet) as provided for by this Article. The Central Bank shall carry out inspections in non-bank entities, non-credit institutions or other entities, not licensed by the Central Bank, whose balance sheets are consolidated in the bank's balance sheet as determined herewith, as determined in chapter 5¹ of the Armenian Law on *the Central Bank of the Republic of Armenia*.

The preliminary consent provided for by this Article shall be received at the time of each new transaction or transactions that will result in the bank's participation in another or the same party's statutory fund exceeding 9 percents, 15 percents, 25 percents, 35 percents, 50 percents, 70 percents or constituting 100 percents.

3. The Central Bank shall discuss the request to grant the preliminary consent provided for in cases determined by paragraph two of this Article supra within a one-month period and shall grant the consent if the prospective transaction is compatible with the financial conditions of the bank and according to the conditions and rules determined by the Central Bank it would contribute towards development of activities of the bank in the financial market and if it does not contradict the requirements determined by the Central Bank.

For acquiring participation in a bank in a foreign country or establishing a bank with participation as determined herewith, the Central Bank may waive the application for receiving preliminary consent, if acquiring participation in a bank operating in a foreign country or establishing a bank with such participation does not comply with requirements and conditions of this point, or if by the well-reasoned opinion of the Central Bank, the body responsible for banking supervision in the given country does not exercise supervision of the banks registered in the given country duly and in accordance with international criteria, or the given country does not allow the Central Bank to carry out inspections or supervise duly the bank with such participation.

4. The preliminary consent set forth in point 2 of this Article shall not be necessary, if:

- a. the participation in the statutory fund of another party has been transferred to the bank against assumed and not performed obligations towards the bank. The bank shall dispose participation acquired in this manner in the shortest possible period that shall not exceed six months. The Central Bank, taking into consideration the situation in the stock exchange and the financial state of the bank, may prolong the aforementioned period by a further six-months' period for the purpose of disposal of the mentioned shares at more favorable conditions;
 - b. the bank has acquired the participation in another party's statutory fund on behalf and at the account of its customer or in the process of implementation of subscription activities at a commission if under the contract the bank is bound to compensate the issuer only for the price of sold (allocated) securities.
5. If the bank does not dispose the mentioned participation within the period determined by sub-point (a) of point 4 of this Article, the Central Bank may bind the bank to acknowledge the loss within the amount of the cost of the acquisition and to immediately sell it, as well as it may penalize the bank through court procedure at the rate of one percent of the nominal price of the participation for each day of such infringement.
(Article 35 is amended according to AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 36. Distribution of Shares, Reduction of Statutory Fund

1. Bank has the right to adopt a decision (to announce) about the payment of quarterly, half year and annual dividends to its participants, unless otherwise is determined by the law and the charter.
2. The decision about the payment, size and the manner of payment of interim dividends (quarterly, half year) shall be adopted by the board. The decision about the payment, size and the manner of payment of annual dividends shall be adopted by the general meeting of the participants together with the board. The size of interim dividends cannot exceed 50 percent of dividends distributed according to the results of the previous financial year. The size of annual dividends cannot be less than the size of already paid interim dividends.

If the general meeting determines the size of annual dividends to be equal to the size of already paid interim dividends, the annual dividends shall not be paid.

If the general meeting determines the size of annual dividends to be more than the size of already paid interim dividends, the annual dividends shall be paid in size of the difference between the amount of the determined annual dividends and the amount of already paid interim dividends.

The general meeting has the right to decide not to pay dividends for preference shares, the size of which are determined by the charter, and if the bank is a joint stock company - to pay dividends partly for the above shares.

3. The term of payment of annual dividends shall be determined by the charter or the decision of general meeting about dividends payment. The term of payment of interim dividends shall be determined by the decision of the board about the payment of interim dividends and shall be determined not earlier than 30 days after the adoption of the given decision.

For each payment of dividends the board shall draw up the list of the participant holding the right to receive dividends, including parties as follows:

- a. in case of interim dividends, the participants inscribed in the registry of bank participants at least 10 days before the day of adoption of the board decision about the payment of interim dividends;

- b. in case of annual dividends, the participants of the bank inscribed in the registry as of the day of drawing up the list of the participants holding the right to participate in the annual general meeting.
4. It is prohibited to distribute dividends among the bank's participants if the losses of the bank as of that moment are equal to or exceed the undistributed amount of net profit of the bank.
5. The reduction of actually replenished statutory fund of the operating bank via distribution of dividends or otherwise shall be prohibited, except for cases set forth in point 6 of this Article.
6. The holders of voting shares of the bank (participants) have the right to claim the determination of the repurchase price of the participation or of their shares (equity, stake), or of repurchase of their part, if:
 - a. a decision have been adopted on reorganization of the bank, suspending of preference or signing a major transaction and the given participants have voted against reorganization of the bank, suspending of preference or signing a major transaction or have not participated therein;
 - b. the rights of the given participants have been limited by some amendments or changes to the charter, or by an adoption of a new charter, and the participants have voted against or have not participated therein.

The list of the participants holding the right to claim the repurchase of their participation is drawn up on the basis of the data of bank's participants registry as of that day of drawing up the list of participants entitled to participate in the general meeting the agenda of which includes items the adoption of which have limited the rights of participants as set forth in hereinabove.

The repurchase of the participation by the bank shall be done per its market value and without the estimation of the participation and regardless the changes arising from the actions of the bank giving the rights of repurchase.

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

7. The preliminary consent of the Board of the Central Bank shall be necessary for the repurchase of participation. The Central bank may waive granting such consent, if:
 - a. in case of repurchasing the participation the bank will be unable to meet the demands of its creditors;
 - b. the prudential economic standards will be infringed;
 - c. it will cause the instability of the banking system of the Republic of Armenia.
8. If the bank repurchases its shares (equity, stakes) the decision about the reduction of statutory capital or decision about realization of the shares (equity, stakes) is adopted by the general meeting by the 3/4 of the votes of the holders of voting shares (equity, stakes) participating at the meeting, but not less than 2/3 of the votes of such.
(Article 36 is amended according to AL-253, 23.10.01; AL-65-N, 27.04.04)

Article 37. Purchasing or Acquisition of Own Shares by the Bank, Limitations on Providing Loans to a Party for the Purpose of Acquisition of the Shares

1. Discounting, purchase or acquisition in another form of compensation, acceptance in form of collateral for a loan of own shares by the bank shall be prohibited, except for the cases set forth in point 6 of Article 36 of this Law when the bank repurchases its own shares (equity, stakes), as well as the cases when acceptance of the shares in form of collateral or acquisition of the shares is necessary for the prevention of possible losses that may be caused by non-fulfillment or unduly fulfillment of the previously assumed

obligations towards the bank. Meanwhile, the bank shall dispose the shares within a two-month period after it has acquired the property rights over such shares.

2. The Central Bank, taking into consideration the situation in the stock exchange, as well as the financial state of the bank, may prolong the period set forth in point 1 this Article by a further six-months' period to assure the most favorable conditions of disposal of the shares.
3. The bank shall be prohibited from providing loans or other borrowings to a borrower or to related parties for the purpose of acquiring participation in the bank's statutory fund, as well as from providing guarantee or issuing bank guarantees for receiving loans or borrowings from third parties. The transactions signed infringing this Article shall be considered null and void.

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

Article 38. Bank-Customer Relations

1. The relations of a bank and a customer shall be of contractual character.
2. A bank shall establish rules of procedure excluding the possibility of conflict of interests, particularly:
 - a. the bank's obligations towards one of the customers shall not contradict the obligations of the former towards another customer;
 - b. the interests of the bank's management and employees shall not contradict the obligations undertaken by the bank towards its customers.
3. The bank shall be prohibited from cohering the customer by conditioning signing of a credit or another contract by signing a contract for another banking or any other service with the bank.
4. The bank shall be bound to provide on the customer's demand public information, except for the cases provided for by the law.
5. The bank shall be kept responsible as provided for by the law for infringement of the requirements of paragraphs two, three and four of this Article supra, as well as for the provision of evidently false or disorienting information.

Article 39. Transactions with Parties Related to the Bank

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

The transactions signed with bank related parties with infringement of this point shall be considered null and void.

2. For the purpose of this Law and other laws regulating banking activities the following parties shall be considered related to the bank:
 - a. the management of the bank,
 - b. the parties with significant participation in the bank's capital;
 - c. the parties related to and/or cooperating with parties listed in sub-points (a) and/or (b) of this point;
 - d. the parties interrelated with the bank.

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

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

1. Major transactions are:
 - a. one or more interconnected transactions (except for transactions carried out in the framework of normal economic activities of the bank) that relate directly or indirectly to the acquisition of property, disposal of property carried out by the bank, or the possibility of acquisition of property, disposal of property, and their value makes 25 and over percent of bank assets' book value as of the day of adopting the decision on signing the transaction;
 - b. one or more interconnected transactions subject of allocation of ordinary shares or of convertible preference shares that make 25 and over percent of already allocated ordinary shares of the bank.
2. The value of the property as subject of major transaction is established according to Article 39⁷ of this Law.
(Article 39¹ is added according to AL-227-N, 15.11.05)

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

1. The decision about signing a major transaction subject of property and costing from 25 to 50 percent of bank assets' book value as of the day of making decision about signing the transaction be adopted by the board unanimously.
If the board does not adopt the decision about signing the transaction it has the right to make a decision about submitting the matter at the general meeting.
2. In case set forth in the second passage of point 1 of this Article as well as if the cost of the property that is the subject of the transaction is over 50 percent of the bank assets' book value as of the day of making decision about signing the transaction, the decision about signing the transaction shall be adopted by the general meeting by the 3/4 of votes of voting shareholders (participants) participating in the meeting.
3. Disregard of this Article shall result in nullity of the transaction.
Signing a major transaction disregarding this Article shall not result in nullity of the transaction if the party signing the transaction with the bank has been bona fide, i.e. did not know or could not know about the disregarding of the mentioned requirements by the bank.
(Article 39² is added according to AL-227-N, 15.11.05)

Article 39³. Concerned Parties in Bank's Transactions

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

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

(Article 39³ is added according to AL-227-N, 15.11.05)

Article 39⁴. Information about Concern in Bank's Transactions

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

- a. the legal entities where they are self-holders of or they hold together with interrelated party (parties) 20 and over more percent of voting shares;
- b. the legal entities in management of which they hold positions;
- c. certain transactions signed or subject to be signed in which they can be considered concerned party.

(Article 39⁴ is added according to AL-227-N, 15.11.05)

Article 39⁵. Procedure of Signing Concerned Party's Transactions

1. The decision of bank to sign a concerned party's transaction shall be adopted by the board by a majority of board members that do not have concern in signing it.
2. For adoption of a decision about signing a concerned party's transaction the board shall come to the conclusions as follows:
 - the amount that the bank shall get by the transaction is not less than the market value of the bank's property transferred to other party by the transaction, of provided services to that party or of work executed for the latter calculated according to Article 39⁷ of this law;
 - the amount that the bank shall pay by the transaction for the acquired property, received services or work executed for bank does not exceed the market value of that property, provided services or executed work calculated according to Article 39⁷ of this Law.
3. The decision about signing the concerned party's transaction shall be adopted at the general meeting by a majority of holders of voting shares (equity, stakes) that do not have concern in the transaction, if the transaction and/or interconnected transactions are signed in the purpose of allocation of bank's voting shares or bank's other convertible securities the amount of which is 2 percent more than the amount of bank's already allocated voting shares.
4. The concerned party's transaction that comply with the requirements of point 3 of this Article may be signed without the decision of general meeting, if:
 - a. the transaction is a borrowing to the bank from the concerned party;
 - b. the transaction is a result of normal economic activity between the bank and the other party signed before the acknowledgement of concern specified in Article 39³ of this Law (decision is not required till the convening of next general meeting).

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

5. If all the members of the board have been recognized as concerned parties the decision about signing the transaction shall be adopted by the general meeting by a majority of participants having no concern in this transaction.
6. If a concerned party's transaction is a major transaction for disposal or acquisition of bank's property, it shall be signed taking into account also the provisions of the Article 39¹ and 39² of this Law.

(Article 39⁵ is added according to AL-227-N, 15.11.05)

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

1. The concerned party's transaction that has been signed with infringement of requirements set forth in Article 39⁵ of this Law shall not result in nullity of the transaction if the party signing the transaction with the bank has been bona fide, i.e. did not know or could not know about the disregarding of the mentioned requirements by the bank.
2. The party recognized as a concerned party shall bear responsibility in the amount of losses inflicted to the bank. If more parties are responsible they shall bear joint responsibility.

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

3. The requirements for signing the concerned party's transactions set forth in Articles from 39³ to 39⁶ shall not be applied if:
 - a. all shareholders have the preemption right;
 - b. there is conversion of other convertible securities to shares;
 - c. bank acquires participation in the statutory fund if all holders of the given type of shares (equity, stakes) have equal rights to sell their shares (equity, stakes) of the given type pro rata.
4. Disregard of this Article shall result in nullity of the transaction.
(Article 39⁶ is added according to AL-227-N, 15.11.05)

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

1. The property market value (including the value of shares and other securities) is considered the price at which the seller, that has necessary information about the property value and has no obligation to sell it, would agree to sell it and the buyer, that has all necessary information about the property value and has no obligation to buy it, would agree to acquire this property.
2. The property market value shall be determined by the decision of the board, except for cases envisaged by the law when the market value is determined by court, other body or party.

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

3. The bank may apply to an independent valuator for determination of property market value by the decision of the board.
4. The determination of property market value is obligatory if the bank participants repurchase their participation in the statutory fund of the bank as set forth in point 6 of Article 36 of this Law.
5. If it is necessary to determine the market value of bank's shares or other securities, the information about the prices for acquisition of such shares, about the prices for their demand and supply published timely in mass media shall be taken into consideration.

If the market value of ordinary shares of the bank is determined, it is necessary to take into consideration net assets value of the bank (core capital value), as well as the price which the buyer that has all information about bank's property is ready to pay for

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all allocated ordinary shares of the bank, as well as the factors that will be considered important by the body (party) that is determining the bank's property market value.

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

(Article 39⁷ is added according to AL-227-N, 15.11.05)

Article 40. Prevention of Circulation of Proceeds from Crime

(Article 40 is revealed according to AL-23-N, 14.312.04)

Article 41. Limitations on Banking Activities

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

(Article 41 is amended according to AL-253, 23.10.01)

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

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

Article 42¹. Programs of Prospective Development of the Bank

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

(Article 41¹ is added according to AL-253, 23.10.01)

Article 43. Information and Publication

1. Banks shall publish constantly on their home page on Internet the information, as follows:
 - a. the financial statements of the bank (at least the last annual report and the last quarterly statement) and the copy of internal audit report on their statements. Furthermore, the banks also publish their financial statements in press on term set forth in Article 59 of this Law, as well as publish in leaflets or in other available forms for general public (in head office, branches and representations);
 - b. the announcement of convening the annual general meeting on term specified by law. Furthermore, banks shall publish the announcement on convening the annual general meeting also in press;
 - c. the copies of decisions about payment of dividends, as well as copies of normative regulations determining the bank's dividend policy if available;
 - d. the information about participants holding significant participation in the bank, i.e. their name, the size of their participation (except for those participants holding indirect significant participation in the bank that do not hold participation in the bank's statutory fund, i.e. shares, equity or stakes), data on loans and other

borrowings provided to them and to the related parties (including the repaid) during the previous year, including the amount, interest rate and maturity;

- e. the list of board members, members of executive body and their personal data, i.e. name, date of birth, biography, amount of remuneration paid to bank's board members, executive director and chief accountant for the previous year by the bank (including bonuses, payment for certain work executed for the bank, salary equal payments), data on loans and other borrowings provided to them and to the related parties (including the repaid), including the amount, interest rate and maturity.

Except for data specified in sub-points (a)-(e) of this point the Central Bank can require of the bank to publish on the bank's home page on Internet, in press or other mass media other information according to periodicity and the procedure determined by the Board of the Central Bank, except for commercial, banking or other secret information. This explanation does not apply to information, specified in part 4 of Article 6 of the RA law "On Bank secrecy".

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

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

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

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

In the head office of the bank, branch or representations the bank shall duly display the announcement about availability of information set forth herewith, and about the procedure, place and time of receiving of information.

3. The Board of the Central Bank can determine the procedure of publication (provision) of data specified in point 1 and 2 of this Article.
4. Each participant of the bank has the right to receive the latest annual report of the bank and the copy of auditor's report free of charge.

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

- a. information about the board of the bank, executive director and chief accountant as set forth in point 5 of this Article;
- b. the amount of remuneration paid to bank's board members, executive director and chief accountant for the previous year by the bank (including bonuses, payment for certain work executed for the bank, salary equal payments); data on loans and other borrowings provided to them and to the related parties (including the repaid), including the amount, interest

- rate and maturity; information about participants holding significant participation in the bank, i.e. their name, the size of their participation (except for those participants holding indirect significant participation in the bank that do not hold participation in the bank's statutory fund, i.e. shares, equity or stakes), data on loans and other borrowings provided to them and to the related parties (including the repaid) during the previous year, including the amount, interest rate and maturity;
- c. information about major transactions signed between the bank and bank related parties, as well as about those transactions that have been signed within two years before presenting the request for getting that information and are related to execution of any of the operations set forth in sub-points (a)-(c), (i), (j) and (k) of point 1 of Article 34 of this Law;
 - d. obligations assumed by the bank to it related party;
 - e. information about availability of contracts aimed at creation of groups of bank participants executing the same policy, as well as the names of bank participants as the party of those contracts;
 - f. copies of documents certifying the bank's rights of property reflected in the bank's balance sheet, internal acts adopted by general meeting and other management bodies, charters of separated subdivisions and offices, financial and statistical reports that bank renders to public management bodies, minutes of sessions of general meeting, board and directorate, copies of inspections reports carried out by the Central Bank, copies of decisions of the Central Bank about sanctions to the bank and/or bank's manager imposed by the Central Bank, copies of internal audit reports presented to the board and executive director (directorate);
 - g. list of legal entities in statutory fund of which the bank managers or related parties hold 20 and more percent of participation or have probability to influence their decisions.

The minutes of the returning board shall be provided to all bank participants.

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

5. Information about board members, executive director, chief accountant, as well as about candidates for board members provided to bank participants shall also include:
 - a. their surnames, names, year month, day of birth;
 - b. profession and education;
 - c. positions held during last 10 years;
 - d. year, month, day of designation (election) and year, month, day of relieve of his position;
 - e. number of reelections in the same position;
 - f. number of voting shares (equity, stakes) held by as board member, executive director, chief accountant or candidate for board member that are bank participants;
 - g. information about legal entities where the given person holds executive position;
 - h. type of interrelations between the given bank and bank related parties;
 - i. other data envisaged by bank charter.
6. Banks have no rights to use disorienting data in their advertisements, public offers, or in any announcement on their behalf, or use the announcements of other parties about the

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- bank that can cause misunderstanding of the financial state of the given bank, its position in the financial market, business reputation and its real status.
7. Information published or provided by bank according to this Article shall be complete and accurate.
 8. The Central Bank shall collect quarterly information, published by banks about deposits with them, extended loans, as well as other services provided by them, and publish it without any changes - by banks for each quarter.

(Article 43 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05, LA-113-S, 04.04.07)

CHAPTER 5.

PRUDENTIAL AND OTHER ECONOMIC STANDARDS OF BANKING

Article 44. Prudential Economic Standards Established for Banks

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

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

Article 45. Total capital of Bank

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

(Article 45 is amended according to AL-253, 23.10.01)

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

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

(Article 46 is amended according to AL-253, 23.10.01)

Article 47. The Capital Adequacy Standards

The total capital adequacy standards are as follows:

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

Article 48. The Liquidity Standards

The banks' liquidity general standards are as follows:

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

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

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

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

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

Article 50. The Maximum Risk (Risks) on Bank Related Parties (Party)

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

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The maximum risk on a bank related party shall be defined as set forth in point 1 of this Article.
(Article 50 is amended according to AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 51. The Minimum Reserve Requirement

The minimum reserve requirement with the Central Bank shall be established in accordance with the Armenian Law on *the Central Bank of the Republic of Armenia*. The decision of the Board of the Central Bank to toughen the minimum reserve requirement shall enter into force on the day of its adoption, unless otherwise specified.
(Article 51 is amended according to AL-253, 23.10.01)

Article 52. The Foreign Currency Disposition Standard

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

Article 53. Entering into Force of Prudential Economic Standards

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

Article 54. Special Prudential Standards

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

CHAPTER 6.

REGISTRATION, STATEMENTS AND CONTROL

Article 55. Financial Statements

1. The banks and the branches of foreign banks shall prepare, publish and present to the Central Bank annual and quarterly financial and other statements. The Central Bank may establish a diverse frequency for submission of the statements.
2. The Central Bank shall establish the forms, procedure and the term for the statements subject to submission to the Central Bank, taking into consideration existing international standards.
3. Not rare than once a year each bank shall submit to the Central Bank statements in forms, cases, procedure and on term set by the Central Bank, as follows:

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- a. financial statements of legal entities, holding significant participation in bank's statutory fund, data on the managers of these legal entities and the parties holding significant participation;
- b. financial statements of legal entities related with parties holding significant participation in bank's statutory fund, data on the managers of these related legal entities and parties holding significant participation;
- c. statements of parties holding significant participation in bank's statutory fund that no other party has acquired the indirect status of a significant participant of the bank through their participation. Otherwise in order to receive the preliminary consent of the Central Bank the bank shall, within 10 day-period upon the day of acquisition of indirect significant participation by that party, submit to the Central Bank the required documents concerning the parties holding indirect significant participation, as well as documents concerning those legal entities (including their name, location, financial statements, data on the manager, data on parties holding significant participation), where the party that holds significant participation in the bank is holding a significant participation.

The parties holding significant participation in the statutory fund of the bank are responsible for submission of the statements and data defined by this point to the Central Bank.

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

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

Article 56. Accounting in Banks

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

(Article 56 is amended according to AL-253, 2.10.01)

Article 57. Supervision over Banking Activities

1. The Central Bank shall possess the exclusive rights of supervision over the banking activities. The Central Bank shall implement that supervision as determined in chapter 5¹ of the Armenian Law on *the Central Bank of the Republic of Armenia*.
2. *(Point 2 is voided according to AL-46-N, 03.03.04)*
3. All the banks and branches shall receive and assist the employees of the Central Bank. It is prohibited to impede or interfere with lawful deeds of employees while executing supervision and inspection.
4. On the basis of an international agreement signed between the Central Bank and the body in possession of exclusive rights for supervision over the banking activities in a foreign country, the Central Bank may forward to the body in possession of exclusive rights for supervision over the banking activities in a foreign country (national bank or another body) the information it has obtained in the result of onsite examinations in a bank if that information may be necessary to the latter to implement supervision over the territorial branch of a bank operating in the territory of the Republic of Armenia established in its territory, or to grant the consent to establish the territorial branch in its territory. The Central Bank may forward the information set forth herewith even if it comprises bank or other type of secrecy.
5. The authorized governmental body of the Republic of Armenia along with the Central Bank shall establish the procedure for loss provision of investments securities and for its use, classification of the loans and receivables and assets loss provisioning in the banks.

6. If inaccurate, false or incomplete data are presented to the Central Bank during licensing or acquisition of significant participation, or the bank or parties holding significant participation in statutory fund of the bank infringe the requirements of point 3 of Article 55 of this Law, or if during the execution of supervision over the bank essential information about deterioration of financial state of bank related parties (in case of bank related legal party – also about financial state of its participant) is detected and it may influence the financial state of the bank or may somehow impend interests of bank depositors or other creditor, the Central Bank is entitled to:
 - a. propose the party holding significant participation in the bank's statutory fund to dispose his investments in the bank or dispose his right of claim by force of which he can affect the activity of the bank by the reason that it impends the financial state of the bank;
 - b. apply one of the sanctions to the bank as set forth in Article 61 of this Law.

If the proposal set forth in sub-point (a) of this point is not performed on term determined by the Central Bank, on the next day of its termination the party holding significant participation in the statutory fund of the bank shall be deprived of his rights of vote, of receiving dividends, of becoming board member without election or appointing his representative as board member till the grounds that caused the hereinabove proposal of the Central Bank are eliminated.

If the party holding indirect significant participation has not received the preliminary consent of the Central Bank according to sub-point (b) of Article 55 of this Law, the party that holds significant participation in the bank and with the aid of which the given party have acquired indirect significant participation dispose his participation in the bank within the period defined by the Central Bank.

(Article 57 is amended according to AL-253, 23.10.01; AL-46-N, 0303.04; AL-227-N, 15.11.05)

Article 58. External Audit of Bank

1. Each year for the control of the financial activity the bank shall invite an independent auditing firm holding the right to implement audit (hereinafter – external audit) according to law and other regulations by concluding a relevant contract. The bank general meeting shall appoint the independent auditing firm according to the procedure determined by the Central Bank. The board of the bank shall set the amount of payment for the external auditor's service.

The auditing firm may implement the audit of the financial activity of the bank also upon request of the of bank participants holding at least 5 percent of bank's voting shares (equity, stakes). In this case the requesting participants shall choose the auditing firm, sign a contract with him, and pay for rendered services. The requesting participants may claim a refund from the bank if by the decision of the general meeting this audit has been defensive for the bank.

The external audit may also be invited by the bank board at the bank expenses.

2. The contract with the external auditor shall envisage the drawing up auditor's opinion as well as the auditor's report (letter to manager). In the contract with the auditing firm the bank shall also envisage the control of accuracy of bank's statement submitted to the Central Bank.

If the external auditor detects essential, in its opinion, facts of deterioration of the financial state of the bank, or reveals internal system shortcomings (including system of control) the external auditor shall immediately inform the Central Bank about it.

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3. The Central Bank may bind the bank to invite an internal auditor within four month and publish the auditor's opinion.
The Central bank may claim the bank to change the external auditor and appoint another one.
4. The external auditor's opinion shall be submitted to the Central Bank till May 1 of the year following the financial year.
5. Upon request of the Central Bank the external auditor shall present to the Central Bank all relevant documents of the audit even if they comprise commercial, bank or other secret. In case of infringement of obligations set forth herewith the auditing firm shall bear responsibility under the legislation of the Republic of Armenia.
(Article 58 is amended according to AL-253, 23.10.01; AL-46-N, 03.03.04)

Article 59. Publication of Auditor's opinion and of Financial Statements

1. Within four month upon completion of the financial year banks shall publish the auditor's opinion and the annual financial report in press.
2. Banks shall to publish their quarterly financial statements before the 15th day of the month following each quarter.
(Article 59 is amended according to AL-46-N, 03.03.0; AL-227-N, 15.11.05)

CHAPTER 7.

INFRINGEMENT OF LEGISLATION AND APPLICABLE SANCTIONS

Article 60. Infringement of Legislation

The Central Bank may apply sanctions towards banks if:

- a. the statutory capital or other components of the total capital have been replenished with infringement of law and other regulations;
- b. the requirements of this Law, other laws regulating banking, of the relevant normative regulations or of bank's regulations have been infringed;
- c. the charter of the bank or the branch has been changed and amended with infringements of the law and other regulations;
- d. prudential economic standards of the bank activity have been infringed, or, in the opinion of the Central Bank, the bank has undertaken steps (activities) that can impend the interests of the depositors or other creditors of the bank;
- e. the rules of the accounting or the rules and conditions for submission of the financial or other statements have been infringed and/or false or inaccurate information has been submitted in those documents;
- f. the bank has failed to comply with the instructions given to it by the Central Bank in accordance with this Law;
- g. the survey estimation of the bank is below the criteria determined by the Central Bank;
- h. the bank has failed to pay contribution charges to the Deposit Guarantee Fund according to the procedure determined by the Armenian Law on *Guarantee of Remuneration of Bank Deposits of Physical Entities*;
- i. there are grounds specified in point 6 of Article 57 of this Law.

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

Article 60¹. Responsibility of Bank Managers

1. The bank managers shall perform their duties resting upon bank's interests, they shall perform their rights and obligations towards the bank bona fide and sensibly.
If the statements submitted to the bank board detect infringements of law, of other normative regulations and bank's internal regulations the board shall take measures for the elimination of infringements and nonoccurrence in future.
2. The managers of the bank shall bear responsibility for losses that have been inflicted to the bank due to their premeditated action (inaction) according to the Armenian legislation. If more than one manager has inflicted losses to the bank they shall bear joint responsibility. The managers who have voted against the decision that inflicted losses or have not participated in that session shall be released from responsibility for inflicted losses. The responsibility of managers comprises but does not limit the possible cases, as follows:
 - a. the executive director shall bear the responsibility to cover of real losses on provision of loans provided with infringement of standards for one borrower, for major borrowers, for bank related parties or losses originated from other transactions, and if the law requires a decision of the board for such transaction – the responsibility shall bear the members of the board and the executive director;
 - b. the members of executive body shall cover the bank real losses on the transactions that have been signed with the infringement of internal regulations determined by the board;
 - c. if there were detected infringements of law, of normative regulations and internal regulations of the bank in the statements submitted to the bank board, and the bank have borne losses due to it later on, the board members bear joint responsibility, except for the member of the board who has taken efficient and sensible measures within his competency to prevent the infringements;
 - d. if information about the infringement of the law, regulations revealed by the inspections of the internal audit were not submitted to the board of the bank and the bank have borne losses due to it later on, the head of internal audit shall cover those real losses;
 - e. if the transaction with the bank related party has been signed based on positive opinion submitted to the board of the bank with infringement of internal procedure of the bank, the executive director shall bear responsibility and cover the real losses originated from that transaction.
3. The party shall be released from responsibility to cover losses of the bank if he has acted bona fide with firm conviction that his actions rested upon the interests of the bank. In particular:
 - a. if decisions have been made resting upon sober-minded logic, even if later on these decisions inflicted losses that have been considered as business risk while adopting those decisions;
 - b. if the manager has adopted wrong or imperfect decisions being bona fide without intention to inflict losses and if the adoption of such decisions has not infringed the law or other regulations.

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

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4. The bank or bank participant (participants) holding (jointly) 1 and more percent of bank's ordinary shares (participation in bank's statutory fund) shall have the right to bring a suit against bank managers for covering the losses of the bank.
(Article 60^l is added according to AL-227-N, 15.11.05)

Article 61. Sanctions for Infringements of Legislation

1. In cases provided for in Article 60 of this Law the Central Bank may apply sanctions towards banks, as follows:
 - a. the warning and directive to eliminate infringements;
 - b. the fine;
 - c. bank managers' deprivation of the qualification certificate;
 - d. the nullification of the license.
2. The implementation of the sanctions set forth by this Article shall not relieve the banks and the banks' management of their responsibilities provided for by the law, other regulations and contracts.
3. For any infringement of the law or regulations the Central Bank may apply towards the bank and/or the bank's management (except for members of the board) both the warning with the directive to eliminate the infringements and/or penalize the bank or the bank's manager, and/or deprive the bank managers of the qualification certificates.
(Article 61 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 62. Warning and Directive to Eliminate Infringements

1. The committed infringement is recorded by the warning shall and the bank is informed that has committed it about the impermissibility of the infringement.
2. The warning shall also provide the directive to eliminate the infringement within the period set forth by the Central Bank and/or the directive to take measures to prevent similar infringements in the future and/or termination of transactions, operations signed by the bank either the change of their terms and conditions. The implementation of the directive shall be mandatory for the bank that has received the notice.
3. The warning may be used as a sanction in any of the grounds set forth in Article 60 of this Law.
(Article 62 is amended according to AL-253, 23.10.01)

Article 63. Fine

1. In case the bank is in disagreement with the fine or the amount of the fine, the fine shall be collected on the basis of court decision at a suit of the Central Bank. The fine shall be collected from the correspondent account of the bank and in favor of state budget.
2. The fine may be used as a sanction in any of the cases set forth in by Article 60, as well as in the case set forth in point 6 of Article 57 of this Law.
3. The Central Bank shall establish the amount of the fine to be collected for each infringement, including:
 - a. the amount of the fine to be collected from the bank for the infringement of any of the prudential standards, delay in submission of statements to the Central Bank shall not exceed five percent of the amount of the minimal statutory fund

- established by the Central Bank. This provision shall not apply to the infringement of the minimum reserve requirement;
- b. the amount of the fine to be collected from the bank for the infringement of any other provision of the bank legislation shall not exceed one percent of the amount of the minimum statutory fund established by the Central Bank.
4. The amount of the fine shall not result in the bad financial condition for the bank.
 5. The Central Bank may impose fine on the management of the bank in the amount that shall not exceed a thousand-fold of the established minimum salary for implementing unjustified risky activities, may fine for infringement of maximum risk on a single borrower or on bank related parties standard as of the day of fine, for delay in the submission of statements or statements with inaccurate information, hindering the onsite examinations by the Central Bank, or not-fulfillment of directives issued by the Central Bank in accordance with this Law, infringement of other laws or regulations. Whether the manager of the bank is in disagreement with the fine or its amount the fine shall be collected on the basis of court decision at a suit of the Central Bank. The fine imposed on the hereinabove parties shall be collected from their personal assets and in favor of state budget.

(Article 63 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 64. Deprivation of Certificate of Qualification of Bank Managers

1. The bank's managers shall be deprived of their certificates of qualification, if they:
 - a. have infringed laws or other regulations intentionally;
 - b. have implemented unjustified and dangerous activities, hindered the supervision-related activities of the Central Bank or its employees;
 - c. have implemented activities resulted in or could have resulted in essential financial or other losses of the bank;
 - d. in their work have implemented activities for private gain conflicting with the interests of the bank or of the bank's customers;
 - e. have performed their duties, including duties entrusted towards the bank and bank customers in dishonesty and in bad faith;
 - f. do not comply with the qualification criteria determined by the Central Bank;
 - g. have not carried out the directive of the Central Bank or have ignored the warning of the Central Bank.
2. The authorities given to the bank manager by the legislation of the Republic of Armenia, the charter of the bank and other internal documents shall be terminated upon the decision of the Central Bank to deprive the party from the qualification certificate enters into force.

(Article 64 is amended according to AL-253, 23.10.01)

Article 65. Invalidation of License

1. The license may be voided, if:
 - a. the requirements of this Law, other laws and other regulations regulating banking activities have been infringed;
 - b. the bank has not performed banking activities within one year after the license has been issued;
 - c. the bank has failed to implement the directives of the Central Bank to eliminate the infringements within the period determined by the Central Bank;
 - d. the activities of the bank have been terminated.
2. The banking license shall be voided by the decision of the Board of the Central Bank. The banking license of a bank shall be voided exclusively under the procedure

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determined by this Law. In case of other procedures for invalidation of license determined by other law the provisions of this Law shall prevail.

3. The banking license of a branch of a foreign bank shall be also voided if the foreign bank has lost its right to implement banking activities in the country of its incorporation or primary operation.

(Article 65 is amended according to AL-253, 23.10.01)

Article 66. Publication of the Decision about Invalidation of a Banking License and Its Legal Effect

1. The decision of the Board of the Central Bank about invalidation of a banking license adopted on the grounds set forth in Article 65 of this Law shall be published immediately. The decision shall enter into force upon its publication unless otherwise determined.
2. Upon entering into force of the decision to void the banking license the bank shall be liquidated under the law and shall be deprived of the right to implement banking activities, except for the transactions aimed at carrying out its liabilities, disposal of the assets and their final allocation provided for by this Law.
3. A copy of the decision of the Central Bank to void the banking license along with the grounds for such decision shall be provided to the bank or the branch of a foreign bank within a three-day period. The appeal to the court against the decision of the Board of the Central Bank on invalidation of a banking license shall not suspend the implementation of the decision for the period of the court hearing.

(Article 66 is amended according to AL-253, 23.10.01)

CHAPTER 8.

REORGANIZATION OF BANK

(Chapter 8 is amended according to AL-253, 23.10.01)

Article 67. Reorganization of Banks

1. A bank may be reorganized in the form of a merger of the bank with another bank or through restructuring.
2. Restructuring of the bank (change in the organizational-legal form) shall be implemented as provided for by the Civil Code of the Republic of Armenia or in the form provided for by other laws.

The merger of the bank shall be implemented as provided for in this Chapter.

Article 68. Merger Procedure for Banks

1. In case a bank or several banks join another bank they shall conclude a merger agreement after receiving the preliminary consent of the Central Bank.
2. To receive the preliminary consent for concluding a merger agreement the bank shall present to the Central Bank the essential terms and conditions of the transaction, necessary documents and information in the form, under the procedure and within the period determined by the Central Bank.
3. The Board of the Central Bank shall adopt the decision to grant or waive the consent provided for in point one of this Article within a one-month period after receiving the

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essential terms and conditions of the transaction, necessary documents and information set forth in point two of this Article. The decision of the Board of the Central Bank to grant the consent shall be considered as granted in absence of any decision within the period set forth herewith.

4. The Board of the Central Bank may waive the merger agreement, if:
 - a. the reorganization of the bank (banks) or the documents submitted contradicts the legislation of the Republic of Armenia, the requested documents have not been presented under the due procedure and form or are incomplete;
 - b. the merger constitutes a menace to the financial state of the reorganized bank significantly;
 - c. the bank obtains predominant or monopolist position in the bank market in the result of the merger;
 - d. the merger constitutes a menace to the interests of the depositors, other creditors of one of the parties of the transaction.
5. Within one month after receiving the consent of the Central Bank the merging banks along with their letter of request shall present to the approval of the Board of the Central Bank the merger agreement, and other documents determined by the Central Bank. The Board of the Central Bank approves and registers the merger agreement within a two-week period after receiving it, if the contract complies with the conditions of the granted consent.

Article 69. Legal Effect of Bank Merger

1. The banks that have adopted a decision about merge within the period determined in the merge agreement shall implement the measures provided for by the merger agreement, approve the act of transfer and submit it to the Central Bank those along with the charter of the reorganized bank or the additions and the amendments to it for registration according to the procedure provided for by this Law and by the regulations of the Central Bank.
2. Upon registration in the Central Bank of the charter of the reorganized bank or the additions and the amendment to it a note of termination of the activities of the merged bank shall be made in the banks registry. From the moment the registration note provided for herewith is made the bank shall be considered as reorganized.

Article 70. Merger of Affiliated Bank with Mother Bank

(Article 70 is voided according to AL-25, 2310.01)

Article 71. Legal Effect of Merger

(Article 71 is voided according to AL-25, 2310.01)

CHAPTER 9.

LIQUIDATION OF BANKS

Article 72. Grounds for Liquidation of Bank

1. The bank shall be liquidated:
 - a. in case of invalidation of the license;
 - b. in case of nullification of the license;
 - c. in cases provided for by the Armenian law on *Bankruptcy of Banks, Credit Organizations and Insurance Companies*;
 - d. by the decision of general meeting of the bank;

- e. in other cases provided for by law.
2. In cases provided for by sub-point (c) of point one of this Article the bank shall be liquidated under the procedure provided for by the Armenian law on *Bankruptcy of Banks, Credit Organizations and Insurance Companies*.
(Article 72 is amended according to AL-253, 23.10.01; AL-227N, 15.11.05)

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

1. The general meeting is entitled to adopt the decision about liquidation of the bank if bank does not have any liabilities to its depositors, holders of bank accounts, as well as to the parties that are creditors in money transfer operation.
2. In order to receive the preliminary consent of the Central Bank for liquidation of the bank by the decision of its general meeting, the bank shall submit the Central Bank the application for receiving the preliminary consent of the Central Bank based on the along with the documents substantiating liquidation. The list of documents herewith shall be determined by the Central Bank.

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

3. If the bank receives the preliminary consent of the Central Bank it may take measures aimed at termination of the liabilities of the bank to its depositors, holders of bank accounts, as well as to the parties that are creditors in money transfer operation.
4. Only after termination of liabilities specified in point 3 of this Article the general meeting shall adopt a decision about liquidation. Upon adoption of the decision herewith the bank shall submit to the Central Bank application for receiving consent to liquidation along with the documents substantiating liquidation. The list of documents herewith shall be determined by the Central Bank.

The Board of the Central Bank may waive the application for receiving consent to liquidation if the bank has liabilities to its depositors, holders of bank accounts, as well as to the parties that are creditors in money transfer operation, or the bank is not in the position to satisfy the claims of its creditors.

5. The Central Bank may implement inspections in the bank that has adopted a decision about liquidation according to the Armenian law on *The Central Bank of the Republic of Armenia* in order to check the lack of grounds for waiving the submitted applications set forth in points 2 or 4 of this Article.
6. If the Central Bank provides the consent to liquidation it shall also adopt the decision about nullification of the bank's license.
7. The procedure of opening and closing of accounts with the bank in the process of liquidation by the decision of general meeting shall be determined by the Central Bank.
(Article 73 is amended according to AL-227-N, 15.11.05)

Article 74. Liquidation Committee

1. The liquidation committee of the bank shall be established within five days upon adoption of the relevant decision of the court or of the Board of the Central Bank provided for in Article 72 of this Law for the purpose of liquidation of the bank, selling its equity (assets) and satisfaction of lawful claims of the creditors according to the procedure set forth in the charter of the bank. It shall be composed of at least three members. Only parties that possess relevant qualification of the Central Bank shall hold the position of the chairman of the liquidation committee or of its member. The executive

director or the party with similar management authorities shall implement the functions of the liquidation committee till the liquidation committee is established, unless otherwise specified by the charter of the bank.

2. The liquidation committee shall assume the management authorities in the bank under liquidation upon its establishment.
3. Within three days upon its establishment the liquidation committee shall publish an announcement in the media and notify the Central Bank on the procedure and the term (not less than two months) of liquidation of the bank and submission of claims by creditors.
4. If the liquidation committee has not been established, the liquidation committee of the bank shall be established by decision of the Board of the Central Bank.

(Article 74 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 75. Liquidation Procedure. Measures Taken by Liquidation Committee

1. Within three days upon the adoption of the decision about the establishment of liquidation committee the managers of the bank shall hand over to the committee the seal of the bank, the marks, documents, tangibles and other values.

Within three days upon the appointment of the liquidation committee its chairman shall apply to the authorized public body to insert in the brand name of the bank under liquidation the phrase (bank under liquidation). The authorized public body shall make changes in the brand name of the bank under liquidation inserting the phrase “bank under liquidation” within three days upon receiving the application.

After the changes in the brand name of the bank under liquidation have been made as set forth hereinabove the liquidation committee shall change the seal, mark, stamp, and letterheads of the bank under liquidation inserting the phrase “bank under liquidation” within reasonable period.

2. During the period scheduled for presenting the claims of creditors as set forth in Article 74 of this Law the liquidation committee shall:
 - a. take necessary measures to return the property in custody to its holders and to carry out the relevant final payment. The liquidation committee sends notifications to the property holders. Within one month upon receiving the notification the property holder shall take back property in custody. If the holder fails to apply to the bank within the period herewith, the liquidation committee shall deposit the property by signing a contract according to the law;
 - b. accrue and assess the assets and liabilities of the bank under liquidation;
 - c. take necessary measures to discover the creditors of the bank and get the receivables, to establish the procedure for premature collection of loans provided by the bank;
 - d. take measures to dispose the assets of the bank under liquidation most efficiently;
 - e. take measures to ensure the execution of obligations of the bank under liquidation;
 - f. determine the procedure of assets distribution among bank participants after fulfillment of obligations.
3. Within one week upon the completion of the period scheduled for presenting the claims of creditors the liquidation committee shall draw up, approve and publish in the press with at least 2000 copies the liquidation balance sheet that shall include information, as follows:
 - a. about property of the bank under liquidation;
 - b. concerning the list of creditors’ claims, including the total amount in the balance sheet or the total amount of the presented claims, the amount of sum due to each

depositor, lender or other creditor and the sequence of satisfaction of claims, as well as the list of claims that are waived by the liquidation committee;

- c. about the results of the claims discussion;
 - d. other information set forth by the Central Bank.
4. The liquidation committee shall submit to the Central Bank a copy of the newspaper with the published liquidation balance sheet on the day of its issue according to procedure set forth in point 3 of this Article. The Board of the Central Bank shall be entitled to oblige the liquidation committee to publish the liquidation balance sheet in another newspaper with at least 2000 copies.
 5. The liquidation committee shall satisfy the claims of the creditors in the sequence determined in Article 75¹ of this Law and in accordance with the liquidation balance sheet upon the day of its publication.

(Article 75 is amended according to AL-227-N, 15.11.05)

Article 75¹. Sequence of Satisfaction of Claims

1. The liabilities secured by pledge shall be satisfied from the sum of realization of the pledge by which the given liability has been secured, out of turn. If the value of liability exceeds the cost of the pledge by which the given liability has been secured, the unsecured part of the liability shall be satisfied together with satisfaction of liabilities to other creditors.
2. The liabilities of the bank shall be repaid from liquidation funds in sequence, as follows:
 - first, essential and grounded expenses of implementation of the authorities of the liquidation committee members provided for by this Law, including the salary;
 - second, bank deposits and account balances of the citizens of the Republic of Armenia, of foreign citizens, as well as parties holding no citizenship. If a party holds more than one deposit (account) with the bank all his deposits shall combine and the total amount shall be considered as one deposit;
 - third, other liabilities of the bank that are not included in the forth and fifth places;
 - forth, liabilities of the bank to the state budget and community budgets, other obligatory payments determined by the legislation of the Republic of Armenia;
 - fifth, claims of bank participants.

The bank participants and bank related parties shall be excluded from the list of creditors provided for in the second and third places in the sequence of satisfaction of bank creditors' claims. The liabilities of the bank to them shall be satisfied in the fifth turn.

The creditors of the same turn have equal rights of satisfaction of their claims.

The claims of the creditors of the same turn shall be satisfied after all the claims of the previous turn are satisfied.

3. If the liquidation committee waives the claims of creditor or avoids discussing them before approval of the liquidation balance sheet, the creditor is entitled to protest against the liquidation committee. The suit herewith shall be examined by court within three days. The court decision shall enter into force upon publication without appeal. If the claim of the creditor is subject to be satisfied in the same turn that the liquidation committee is implementing the satisfaction of the claims at that moment the court may suspend the actions of the liquidation committee till the judgment is given.

If the creditor presents his claim after the expiry of the period specified for the presentation of claims according to this Law, his claim shall be satisfied at the coast of those liquidation funds that would remain after the satisfaction of the creditors' claims presented in proper time.

If the creditor that has claimed and has been registered by the committee fails to appear till the last day of the period announced in the press or other mass media by the liquidation committee for the satisfaction of claims of the given turn, the funds or property determined for such creditor shall be disposed in notary's deposit or in custody in another bank according to law.

Before starting the process of satisfaction of claims of each turn the liquidation committee shall announce in the press or other mass media the place, procedure and the term of satisfaction of the claims of given turn. Essential information about the place, procedure and the term, as well as about their changes shall go into effect upon publication in the press and/or other mass media.

The period of satisfaction of the claims of the second turn defined in point 2 of this Article shall not be less than 21 days. If the period for satisfaction of claims is missed on any ground it shall not be restored.

4. The claims that have been waived by the liquidation committee and not been appealed against by the creditor, as well as claims dismissed by court decision shall be considered as forgiven debts.

(Article 75¹ is added according to AL-227-N, 15.11.05)

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

1. The Central Bank may implement inspections in the bank in liquidation process aimed at implementation of supervision over the liquidation process of the bank.
2. The liquidation committee shall be bound to submit reports to the Central Bank according to the procedure, form, frequency and term determined by the Central Bank.
3. The liquidation committee shall be bound to publish in the press information about its actions according to the procedure, schedule and form determined by the Central Bank and with the frequency that shall be not less that once a months.
4. The Central Bank shall be entitled to require any information form the liquidation committee about the actions of the latter.

(Article 76 is amended according to AL-227-N, 15.311.05)

Article 77. Approval of Liquidation Balance Sheet. Termination of Activities of Liquidation Committee

1. After completing calculations with the creditors the liquidation committee shall draw up the liquidation balance sheet and submit it to the Central Bank within three days after the general meeting of the bank under liquidation approves it.
2. The Central Bank shall approve or reject the liquidation balance by its decision within ten days pointing out the reasons of rejection. The Central Bank shall reject waive the approval of the liquidation balance sheet if the liquidation committee has infringed the requirements of this Law.
3. If the Central Bank does not approve the liquidation balance sheet, the liquidation committee shall eliminate the reasons for its rejection by the Central Bank and shall submit to the Central Bank a new application for approval of the liquidation balance sheet after the general meeting of the bank under liquidation approves it.
4. Within three days upon the approval of the liquidation balance sheet by the Central Bank the Central Bank shall record in the registry of banks about withdrawal form registration of the bank under liquidation. After it the bank shall be considered liquidated and its activities shall be considered terminated. The central Bank shall inform the body exercising the state registration of legal entities about that.

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5. Within three days upon approval of the liquidation balance sheet by the Central Bank the liquidation committee shall publish a notice about the liquidation of the bank in the form determined by the Central Bank. After that the liquidation committee shall be released from responsibility concerning the liquidation of the bank.
(Article 77 is amended according to AL-253, 23.10.01; AL-227-N, 15.11.05)

Article 78. Reimbursement of the Members of Liquidation Committee

The members of the liquidation committee shall be reimbursed to the expense of the funds of the bank under liquidation.

Article 79. Responsibilities of the Members of Liquidation Committee

The members of the liquidation committee shall bear responsibility provided for by the law and other regulations for infringements that have occurred in the period of their performance and for the losses caused by their actions.

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

The creditors, debtors of the bank may appeal to court against the actions of the liquidation committee.

(Article 79 is amended according to AL-227-N, 15.11.05)

Article 80. Liquidation Funds of Bank

The claims of the creditors shall be satisfied from the bank's property (funds) held by the bank with the right of ownership.

CHAPTER 10.

TRANSITIONAL PROVISIONS

Article 81. Entering into Force of the Law. Transitional Provisions

1. This Law shall enter into force on the sixtieth day upon its publication.
2. Upon the moment this Law enters into force the Law of the Republic of Armenia on *Banks and Banking* (1993) and the decision of the Supreme Council of the Republic of Armenia on *the Procedure of Implementation of the Laws of the Republic of Armenia on the Central Bank of the Republic of Armenia and on Banks and Banking* (except for subparagraph "d" of Section Seven of the decision) shall be considered null and void. The latter shall be nullified after adoption of the appropriate amendment to the law of the Republic of Armenia on *State Duty*.
3. The banks (their branches and representations) licensed and registered before July 1, 1996 shall be considered licensed, and the branches shall be considered registered according to the provisions of this Law.
4. Within a one-month period upon this Law enters into force the Central Bank shall:

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- a. review the decisions of the Central Bank and bring those into compliance with the requirements of this Law;
 - b. adopt the regulations provided for by this Law that are necessary for unimpeded implementation of this Law;
 - c. determine the procedure for imposing the sanctions on banks, as provided for by this Law, in accordance with this Law.
5. Upon the moment this Law enters into force the Government of the Republic of Armenia along with the Central Bank shall:
- within a one-month period submit to the National Assembly proposals with regards to the types and amounts of the duties related to the licensing of banks;
 - within a two-months period submit to the National Assembly a draft law of the Republic of Armenia on *Amendments and Additions to the Criminal Code of the Republic of Armenia* and *Code of Administrative Infringements of the Republic of Armenia*, aimed at assuring implementation of this Law.
6. The current regulations and rules shall continue to apply until relevant amendments and additions are made to laws and other regulations in accordance with procedure and within the period determined by this Law.
7. All banks operating in the territory of the Republic of Armenia, regardless of their organizational-legal structure, shall be bound to reevaluate the fixed assets that they hold with property rights before January 1, 1997, as provided for by the law of the Republic of Armenia on *Joint Stock Companies*.

June 30, 1996, city of Yerevan
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