

Adopted by the National Assembly
On 30 June 1996

REPUBLIC OF ARMENIA
LAW
ON THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA¹

CHAPTER 1
GENERAL PROVISIONS

Article 1. The Central Bank of the Republic of Armenia

1. The Central Bank of the Republic of Armenia is the national bank of the Republic of Armenia. The Central Bank of the Republic of Armenia (hereinafter “the Central Bank”) is a legal entity vested with state functions, the sole founder of which is the Republic of Armenia. The Central Bank shall act in accordance with the Constitution and laws of the Republic of Armenia.

2. The Central Bank is a unified centralized system that comprises the head office and the territorial subdivisions of the Central Bank. The head office of the Central Bank shall be located in the City of Yerevan.

3. The branch and representative offices of the Central Bank shall be its territorial subdivisions. The Central Bank and its territorial subdivisions shall have a seal with the coat of arms of the Republic of Armenia and their respective names.

4. To accomplish its objectives, the Central Bank may, on its behalf:

- conclude agreements, acquire rights, and undertake obligations, including take loans;
- act as a claimant and respondent; and

¹ The following amendments have been incorporated into the Law as originally adopted (HO-69 dated 30.06.1996): HO-209 dated 18.03.1998; HO-243 dated 23.10.2001; HO-256 dated 06.11.2001; HO-371-N dated 29.05.2002; HO-427-N dated 23.10.2002; HO-45-N dated 03.03.2004; HO-73-N dated 11.05.2004; HO-49-N dated 25.12.2003; HO-147-N dated 24.11.2004; HO-17-N dated 14.12.2004; HO-245-N dated 08.12.2005; HO-70-N dated 23.05.2006; HO-76-N dated 23.05.2006; HO-36-N dated 25.12.2006; HO-44-N dated 25.12.2006; HO-7-N dated 25.12.2006; HO-183-N dated 09.04.2007; HO-226-N dated 24.10.2007; HO-200-N dated 11.10.2007; HO-99-N dated 26.05.2008; HO-83-N dated 26.05.2008; HO-132-N dated 17.06.2008; HO-189-N dated 22.10.2008; HO-114-N dated 30.04.2009; HO-183-N dated 07.10.2009; HO-66-N dated 18.05.2010; HO-110-N dated 24.06.2010; HO-281-N dated 22.12.2010; HO-133-N dated 12.11.2015; HO-282-N dated 21.12.2017; HO-247-N dated 23.03.2018; HO-313-N dated 13.12.2017; HO-197-N dated 21.03.2018; and HO-258-N dated 23.03.2018.

- in cases envisaged by this Law, acquire, possess, use, and alienate property and proprietary and personal non-proprietary rights.

5. In accomplishing the objectives and functions reserved for it by the Constitution and laws of the Republic of Armenia, the Central Bank shall be independent from state authorities of the Republic of Armenia.

6. The Central Bank and the Government shall bear no responsibility for each other's obligations, unless such obligations have been assumed.

(Article 1 was revised by HO-245-N dated 08.12.05; amended and supplemented by HO-313-N dated 13.12.17)

Article 2. Functions of the Central Bank
(the title was revised by HO-313-N dated 13.12.17)

1. To accomplish its objectives, the Central Bank shall perform the functions vested with it by law.

2. The Central Bank shall compile a register of its acts.

3. The Central Bank shall, within the limits of its authority, adopt sub-legislative normative, internal, and individual legal acts. The Board of the Central Bank shall adopt sub-legislative normative and individual decisions, and in cases when the Central Bank acts as a bank— internal legal acts (decisions).

The Governor of the Central Bank shall adopt individual legal acts, and in cases when the Central Bank acts as a bank—internal legal acts (decisions and instructions).

4. Sub-legislative normative acts adopted by the Central Bank, which make the regulatory regime more stringent or prescribe additional or more stringent liability, shall not apply retroactively.

(Article 2 was supplemented by HO-45-N dated 03.03.04; revised and supplemented by HO-313-N dated 13.12.17)

Article 3. Registration and Publication of Normative Acts of the Central Bank
(this Article was repealed by HO-45-N dated 03.03.04)

Article 3.1. Normative Legal Acts of the Central Bank

1. The Central Bank shall adopt sub-legislative normative legal acts only when authorized by law and within the scope envisaged by law, respecting the principles of lawfulness and certainty. Such acts shall be adopted and published in the procedure envisaged by law.

2. The Central Bank may adopt sub-legislative normative legal acts in the following cases:

- a) Normative legal acts concerning the setting and calculation of the prudential economic standards of financial organizations;
- b) Normative legal acts concerning currency regulation;
- c) Normative legal acts in the field of protection of consumers' interests;
- d) Normative legal acts regulating the fight against money laundering and terrorism financing;

- e) Normative legal acts concerning the licensing of financial organizations, their registration, reorganization, liquidation, bankruptcy, insolvency, and termination of activities;
 - f) Normative legal acts prescribing requirements on the participants and managers of financial organizations;
 - g) Normative legal acts prescribing requirements on transactions concluded by financial organizations or their participants;
 - h) Normative legal acts regulating the securities market and investment services;
 - i) Normative legal acts concerning the processing of information and personal data in the financial system;
 - j) Normative legal acts aimed at regulating compulsory insurance for liability arising out of motor transport use and the cumulative pension system;
 - k) Normative legal acts concerning the supervision of financial organizations;
 - l) Normative legal acts regulating the deposit guarantee system;
 - m) Normative legal acts aimed at regulating payment and settlement systems;
 - n) In cases envisaged by law, normative legal acts concluded jointly with other state bodies, which concern the financial system;
 - o) Normative legal acts concerning the protection of economic competition in the financial system; and
 - p) In other cases and spheres envisaged by law.
- (Article 3.1 was supplemented by HO-313-N dated 13.12.17)

Article 4. Primary Objective and Functions of the Central Bank
(the title was revised by HO-313-N dated 13.12.17)

1. The primary objectives of the Central Bank are to ensure price stability and financial stability.
2. In order to ensure price stability, the Central Bank's function shall be to take measures aimed at ensuring price stability. To accomplish the objective of price stability, the Central Bank shall develop, approve, and implement monetary policy programs.
3. If the other objectives of the Central Bank contradict the primary objectives of the Central Bank, the Central Bank shall give priority to the primary objectives and shall be governed by the necessity of accomplishing them.

(Article 4 was revised by HO-36-N dated 25.12.06 and HO-313-N dated 13.12.17)

Article 5. Other Objectives and Functions of the Central Bank
(the title was revised by HO-313-N dated 13.12.17)

1. The other objectives of the Central Bank are as follows:
 - a) To ensure stability, liquidity, solvency, and conditions necessary for the normal activity of the financial system of the Republic of Armenia,
 - b) To collect, to tabulate, and to publish monetary statistics and statistics on the financial system, the balance of payments, the international investment position, and external debt;
 - c) To create and to develop effective payment and settlement systems;

- d) To issue the currency of the Republic of Armenia, and to organize and regulate the circulation of currency;
- e) To organize and regulate the fight against money laundering and terrorism financing;
- f) To secure the conditions necessary for the protection of investors in securities, for forming and retaining a system of fair pricing of securities in the market, and for the regulated and normal activity and development of a fair, transparent, and trustworthy market of securities;
- g) To secure the conditions necessary for protecting the rights and lawful interests of consumers in the financial system; and
- h) To ensure free and fair economic competition in the financial system.

2. To accomplish its objectives, the Central Bank shall:

- a) Provide bank services to the Government;
- b) Act as the Government's financial agent and advisor;
- c) License the banks, and in cases envisaged by law, also other entities, and recognize organizations as financial groups, and regulate and supervise their activities;
- d) Provide loans to banks as the lender of last resort,
- e) Regulate and supervise payment and settlement systems, and oversee payment and settlement systems and securities settlement systems;
- f) Possess, use, and dispose of the international reserves of the Republic of Armenia,
- g) For the purpose of collecting, tabulating, and publishing monetary statistics and statistics on the financial system, the balance of payments, the international investment position, and external debt, receive the necessary data, as well as personal (nominal) statistical data (data containing statistical secrecy) on the balance of payments, the international investment position, and external debt from state and local self-government bodies, including the National Statistical Service of the Republic of Armenia. Personal (nominal) data received from the National Statistical Service of the Republic of Armenia shall be used for statistical purposes only, according to the United Nations Fundamental Principles of Official Statistics. The National Statistical Service and the Central Bank of the Republic of Armenia shall jointly determine the contents and methodology of collection of data collected by the National Statistical Service on the balance of payments, the international investment position, and external debt;
- h) Collect, coordinate, and analyze information concerning money laundering and terrorism financing, exchange such information with and deliver such information to the competent domestic entities and international organizations, and in cases envisaged by the international treaties of the Republic of Armenia, also with and to the competent authorities of other states;
- i) In the procedure defined by law, secure free and fair economic competition in the financial system, and adopt sub-legislative normative legal acts and typologies concerning abuse of dominant position, preventing anti-competitive agreements, and concentrations; and
- j) Conduct research on macroeconomic and financial politics, economics, and the regulatory framework.

(Article 5 was supplemented and amended by HO-243 dated 23.10.01; amended by HO-371-N dated 29.05.02; supplemented by HO-17-N dated 14.12.04 and HO-245-N dated 08.12.05; amended by HO-83-N dated 26.05.08; supplemented by HO-132-N dated 17.06.08 and HO-133-N dated 12.11.15; and revised by HO-313-N dated 13.12.17)

Article 6. Monetary Policy Programs

1. Once a quarter, the Central Bank shall publish the Monetary Policy Program for the next 12 months, which shall serve as guidance.
2. Monetary Policy Programs shall contain:
 - a) The forecasts of inflation;
 - b) The directions of monetary policy; and
 - c) Other provisions stipulated by the Board of the Central Bank for accomplishing the objectives envisaged by law.
3. (Paragraph 3 was repealed by HO-313-N dated 13.12.17)
(Article 6 was revised by HO-209 dated 18.03.98 and HO-36-N dated 25.12.06; supplemented by HO-114-N dated 30.04.09; and amended by HO-313-N dated 13.12.17)

Article 7. Cooperation with State Bodies

1. When accomplishing its objectives, the Central Bank shall cooperate with state bodies of the Republic of Armenia.
2. The Central Bank Governor or their deputies shall regularly provide to the National Assembly and its Standing Committees clarifications or explications on the policies of the Central Bank.
3. The Central Bank shall participate in the drafting of economic and financial programs of the Government and shall support their implementation, unless it contradicts the objectives of the Central Bank. The Central Bank shall consult with the Government when drafting the Monetary Policy Program.
4. (The sentence was removed by HO-258-N dated 23.03.18) An authorized representative of the Republic of Armenia Government may participate in open sessions of the Central Bank Board in an advisory capacity and may present written opinions on the issues discussed.
(Article 7 was amended by HO-133-N dated 12.11.15, HO-313-N dated 13.12.17, and HO-258-N dated 23.03.18)

Article 7.1. Cooperation of the Central Bank with the Republic of Armenia State Committee for the Protection of Economic Competition

1. The Republic of Armenia State Committee for the Protection of Economic Competition (hereinafter, "the Committee") shall perform functions of economic competition with respect to entities regulated or supervised by the Central Bank on the basis of cooperation with the Central Bank.
2. Prior to adopting sub-legislative normative legal acts on abuse of dominant position, preventing anti-competitive agreements, and concentrations, the Central Bank shall present them to the Committee for an opinion.
3. The Central Bank and the Committee shall conclude a memorandum of understanding that shall regulate:

- a) The directions and procedures of cooperation related to protecting competition;
- b) The cases and procedure of sharing information between the Committee and the Central Bank, including information on measures undertaken with respect to problems of economic competition;
- c) The cases in which the Committee and the Central Bank exercise their powers with respect to entities regulated or supervised by the Central Bank; and
- d) Other matters envisaged by this Article with respect to the protection of competition in the sector, as well as other matters not prohibited by law.

4. The Committee shall inform the Central Bank about problems of economic competition in the sector covered by this Article.

5. The Committee shall refrain from any interference with any issue raised with respect to economic competition, provided that the Central Bank gives justified notice to the Committee that the issue is, in view of regulatory objectives envisaged by law, reserved for the Central Bank, and that the Central Bank shall perform functions envisaged by law. The Committee may express a position under the procedure stipulated by this Article, but the final decision shall be taken by the Central Bank.

6. During measures undertaken, the Central Bank shall enable the Committee, within the limits envisaged by law, to present its position. The Central Bank shall discuss all the issues raised and positions expressed by the Committee and state its justification for accepting or not accepting them.

In its final position or decision, the Central Bank shall mention the Committee's position and, in case of not accepting it, the justification for doing so.

If the Committee does not present its position under the procedure stipulated by this Paragraph, the Central Bank's decision or position shall be adopted without the Committee's opinion.

7. The procedure stipulated by Paragraphs 2, 5, and 6 of this Article shall not apply in the exceptional cases when the Central Bank aims at preventing or responding to potential threats to financial stability and price stability, recognizes a financial organization as insolvent or bankrupt, carries out forced sale of the share or stocks of a financial organization or its participant, or carries out reorganization, forced sale, or liquidation of a financial organization. The memorandum of understanding stipulated by Paragraph 3 of this Article may prescribe other exceptional cases, as well.

The Central Bank shall, after adopting the decisions envisaged by this Paragraph, inform the Committee thereof, unless they contain bank secrecy or other secrecy protected by law.

(Article 7.1 was supplemented by HO-313-N dated 13.12.17)

Article 8. International Cooperation

The Central Bank shall, within the limits of its authority, represent the interests of the Republic of Armenia in international financial organizations, international and foreign banks, as well as in relations with the central and other banks of other countries, and shall conclude and execute international agreements under the procedure envisaged by law.

The Central Bank shall have the right to cooperate with financial supervision authorities of other states. Within such cooperation, the Central Bank may, without signing an international agreement or other memorandum, receive from the financial supervision authorities of other states and provide to them supervisory information, including secret information protected by law, provided that such authorities need such information for fulfilling the obligations placed upon them by law, and provided that such authorities have an adequate framework for protecting supervisory information. The cooperation specified in this Paragraph shall be carried out without signing an international agreement or another memorandum only when the legislation of the other state allows providing the information specified in this Paragraph without signing an international agreement or another memorandum.

The Central Bank may, within the limits of its authority, conclude sector cooperation agreements, contracts, memoranda, and other documents, which shall not be international agreements, with international financial organizations and banks, financial organizations of foreign states, central and other banks, financial supervisors and regulators, and their associations, after giving advance notice thereof to the Republic of Armenia state body authorized in the field of foreign affairs.

The documents envisaged by this Paragraph shall be signed by the Central Bank Governor or other persons so authorized by them.

(Article 8 was supplemented by HO-200-N dated 11.10.07; supplemented by HO-247-N dated 23.03.18; revised by HO-313-N dated 13.12.17)

Article 9. Deposit and Credit Operations

1. The Central Bank may accept demand or time deposits in the Armenian dram or in foreign currency or hold material values on deposit exclusively from state bodies of the Republic of Armenia and banks, central and other banks of foreign countries, international financial and credit organizations, and in exceptional cases, subject to a Decision of the Central Bank Board, from other entities, and upon their instruction or with their consent, may possess and use such deposits and material values.

2. To accomplish its objectives, the Central Bank may borrow loans from international financial organizations, as well as governments and central and top banks of other states.

(Article 9 was amended by HO-243 dated 23.10.01 and HO-313-N dated 13.12.17)

Article 10. Open Market Operations

1. In order to carry out monetary policy, the Central Bank may, under the procedures stipulated by this Law, purchase and sell government securities and other reliable securities in the financial market.

2. The Central Bank may not purchase government securities of the Republic of Armenia at its own expense during the period of their primary allocation. During the primary allocation of government securities, the Central Bank may purchase them upon instruction and at the expense of central or top banks of other states.

3. In view of its primary objective, the Central Bank may, for the purpose of carrying out open market operations, issue short-term (up to one year maturity) securities pursuant to the procedure agreed upon with the authorized body of the Government.
(Article 10 was amended by HO-243 dated 23.10.01 and HO-313-N dated 13.12.17)

CHAPTER 2 FINANCIAL PROVISIONS

Article 11. Capital of the Central Bank

1. The capital of the Central Bank shall comprise of its statutory capital, general reserve, the revaluation reserves of securities, fixed assets, and other assets, and the retained earnings and the profit.
2. The statutory capital of the Central Bank shall be one hundred million Armenian drams.
3. The statutory capital of the Central Bank shall be the property of the Republic of Armenia and may not be pledged, confiscated, or otherwise alienated for the obligations of the Republic of Armenia.
4. If the financial year end loss reflected in the Central Bank's balance sheet exceeds the sum of the reserves, the Republic of Armenia Government shall, within 30 days of publishing the balance sheet, grant to the Central Bank non-interest-bearing ordinary demand government promissory notes as an investment in the Central Bank's capital in an amount equal to the exceeding sum. Redemption of such promissory notes shall be performed out of the state budget when demanded by the Central Bank or according to Article 12 of this Law.
(Article 11 was revised by HO-243 dated 23.10.01; amended by HO-45-N dated 03.03.04; revised by HO-36-N dated 25.12.06)

Article 11.1. Debt Management Objective of the Central Bank

1. The debt of the Central Bank shall be managed for the purpose of carrying out monetary policy and ensuring financial stability.
(Article 11.1 was supplemented by HO-183-N dated 07.10.09; amended by HO-313-N dated 13.12.17)

Article 12. Calculation and Distribution of the Profit of the Central Bank

1. The Central Bank's profit shall be calculated for each year in accordance with the International Accounting Standards as the balance of all income earned and all expenses incurred (including losses) throughout the current financial year.
The calculation the Central Bank profit subject to distribution shall not include the positive difference of incomes and expenses due to the revaluation and acquisition of gold, SDR, foreign currencies, and their equivalents under article 13 of this Law, adjusted by the amount of provisions made to recompense adverse results of previous periods.

2. The profit of the Central Bank shall be allocated as follows:

- a) 20% of the profit shall be addressed to replenish the general reserve, up to such point when its total amount reaches 25% of broad money;
- b) The necessary amount shall be addressed at redemption of the promissory notes envisaged in Article 11 of this Law.

3. After making the aforementioned allocations, the remainder of the financial year's profit shall be transferred to the state budget.

(Article 12 was supplemented by HO-45-N dated 03.03.04; revised by HO-17-N dated 14.12.04; amended by HO-36-N dated 25.12.06 and HO-313-N dated 13.12.17)

Article 13. Incomes, Expenses and Capital Investments of the Central Bank

1. The incomes of the Central Bank shall be the incomes generated as a result of activities prescribed by this Law, including:

- a) interest accrued on loans, deposits, securities, and correspondent account balances;
- b) all types of commissions received in the course of banking operations;
- c) fines (including fines for non-compliance of banks with the provisioning requirements under the established procedure) and penalties levied on banks registered by the Central Bank, other customers, and contractual obligations;
- d) proceeds of the sale of foreign currency, precious metals and other monetary values at a price higher than book value;
- e) proceeds of the sale of fixed assets and intangible assets at a price higher than book value and from the sale of inventories;
- f) fees received for the provision of banking services;
- g) proceeds of the repayment of previously written-off loans and their interest and bad debt;
- h) donations received;
- h1) proceeds of the revaluation of gold, SDR, foreign currencies, and their equivalents;
- h2) proceeds of the acquisition of precious metals, SDR, foreign currencies, and their equivalents; and
- i) other proceeds received from operations envisaged by this Law.

2. The Central Bank shall plan its incomes independently. Incomes of the Central Bank shall not be subject to approval by any state authority of the Republic of Armenia.

3. The expenses of the Central Bank shall be as follows:

a) Operational expenses, including:

- interest accrued on deposits, loans, securities issued, and customer account balances;
- expenses related to the issuance, transportation, storage, and destruction of banknotes, coins (including commemorative coins), and monetary values;
- all types of commissions and other fees paid in the course of banking operations;
- losses incurred from the revaluation of foreign currency, securities, precious metals, and other assets;
- losses incurred from the sale of foreign currency, securities, precious metals and monetary values at prices lower than their book value and acquisition value;

- expenses incurred from the revaluation of fixed assets, intangible assets and inventories, and the sale of fixed assets and intangible assets at prices lower than their book value, as well as expenses incurred from the sale of inventories;
- losses incurred from the acquisition of gold, SDR, foreign currencies, and their equivalents;
- expenses related to the provisioning for and write-offs of bad loans, receivables, monetary values, and other assets;
- expenses related to the depreciation of fixed assets;
- payments for any type of service related to banking activities;
- expenses related to the management of the international reserves;
- expenses related to the maintenance of payment systems;
- expenses related to servicing external public debt;
- expenses related to the maintenance, servicing, use, and insurance of other assets of the Central Bank, such as buildings, premises, fixed assets, and inventories;
- fees for audit and consulting services; and
- other expenses related to the fulfillment of the objectives set for the Central Bank.

b) Administrative expenses, including:

- staff administration costs (staff salaries, rewards, mandatory social security charges to the state budget, staff education and training, business trips and representation expenses, office vehicles operation costs, and other social security expenses);
- expenses related to news information and the acquisition of professional literature;
- expenses related to write-offs of housekeeping materials and perishables;
- expenses related to communication means used for office purposes; and
- contingent expenses (reserve for contingent expenses).

4. Capital investments of the Central Bank include:

a) Capital investments made for carrying out the primary activities of the Central Bank, such as:

- construction, acquisition, and capital repairs of office buildings and premises;
- acquisition and capital repairs of computer hardware, office furniture, communication means, and other fixed assets related to the activities of the bank; and
- capital investments in legal entities linked directly with the objectives of the Central Bank;

b) Capital investments made for administrative purposes, including:

- capital investments related to recreation, medical care, and provision and improvement of the living conditions for the staff of the Central Bank (acquisition and capital repairs of buildings, premises, hardware, and equipment for such purposes,);
- capital investments in the acquisition and capital repairs of office vehicles; and
- acquisition and capital repairs of telecommunication equipment and communication means used for non-operational purposes.

(Article 13 was revised and supplemented by HO-243 dated 23.10.01; supplemented by HO-45-N dated 03.03.04 and HO-17-N dated 14.12.04; amended by HO-44-N dated 25.12.06, HO-226-N dated 24.10.07, and HO-313-N dated 13.12.17)

Article 14. Approval of the Annual Expenses and Capital Investments of the Central Bank

1. The Central Bank Board shall, before September 15 of each year, approve the capital investments program and the estimate of expenditures of the Central Bank for the next year. The ceilings of the administrative expenses and capital investments of the Central Bank shall be approved by the National Assembly of the Republic of Armenia as a special item in the State Budget Law upon presentation by the Government of the Republic of Armenia.

2. The estimate of operational expenses of the Central Bank and the ceilings of its administrative expenses and capital investments shall ensure the possibility of accomplishing the objectives and operations of the Central Bank, including:

a) ensure, through monetary policy, stability of prices and preventing (containing) inflation;

a1) ensure financial stability;

b) properly manage the international reserves of the Republic of Armenia;

c) ensure comprehensive, complete, and effective supervision and regulation of the financial system in accordance with the international standards;

d) make and protect the Armenian dram, and ensure the use security of banknotes and coins (including commemorative coins);

e) create, develop, and maintain a sound payment and settlement system meeting the international standards; and

f) pay salaries that are consistent with the average pay rate in the banking system of the Republic of Armenia to staff having the necessary qualifications for ensuring proper representation in international organizations and accomplishing the aforementioned objectives and operations.

(Article 14 was revised by HO-45-N dated 03.03.04; amended by HO-44-N dated 25.12.06 and HO-226-N dated 24.10.07; amended and supplemented by HO-313-N dated 13.12.17)

Article 15. Accounting and Financial Reporting

1. In the Central Bank, accounting shall be conducted pursuant to the procedure laid down by the Central Bank Board and in accordance with the international accounting standards adopted by the International Accounting Standards Board.

2. The Central Bank shall prepare a financial statement for each financial year in accordance with the International Accounting Standards. The financial statements shall include the annual balance sheet, the profit and loss statement, the profit allocation report, as well as other statements defined by the Central Bank Board.

3. The Central Bank shall send to the National Assembly information on the administrative expenses and capital investments of the Central Bank.

(Article 15 was revised by HO-243 dated 23.10.01; amended by HO-36-N dated 25.12.06; supplemented by HO-114-N dated 30.04.09; revised by HO-313-N dated 13.12.17)

Article 16. External Audit

The financial statements of the Central Bank shall undergo external audit each year by 10 of the largest independent audit company (the “big ten”) that are universally internationally recognized, rated, or registered in internationally-recognized websites that rate specialized, including audit companies. Besides the performance of the audit mentioned in this Article, no other audit of the Central Bank’s activities shall be performed by other persons and entities. The external audit organization shall be selected by the Central Bank Board for a term of up to three years.

(Article 16 was amended by HO-45-N dated 03.03.04; supplemented by 25.12.06 HO-7-N; amended by HO-114-N dated 30.04.09; revised by HO-313-N dated 13.12.17)

Article 17. Reports of the Central Bank and the Annual Communication on Activities (the title was revised by HO-313-N dated 13.12.17)

1. Before May 1 of each year, the Central Bank shall publish its annual report on the preceding year, which shall include:

- a) the financial report and the audit opinion; and
- b) other provisions on the Central Bank governance.

1.1. (This Paragraph was repealed by HO-313-N dated 13.12.17)

2. The Central Bank shall, on a regular basis, but not less than once in a year, publish and send to the National Assembly, the Government, and other interested state bodies a document on the financial stability of the Republic of Armenia, which shall include the analysis of banking, credit, insurance, and securities markets, as well as information on measures taken to regulate and supervise such markets.

The Central Bank shall, on a regular basis, but not less than once a quarter, publish the balance sheet of the Central Bank for the preceding reporting period.

3. The Central Bank shall, within two months of the end of each quarter, publish a report on the implementation of the Monetary Policy Program approved by the Central Bank Board for the preceding 12-month period.

4. The Central Bank shall, by May 1 of each year, send to the National Assembly and, in the procedure and time stipulated by the Republic of Armenia Constitutional Law on the By-Laws of the National Assembly, present at a National Assembly session, the Annual Communication on the activities of the Central Bank, which shall comprise:

- 1) The communication on the Monetary Policy Program approved in the first quarter of the current year; and
- 2) The communication on the execution of the Monetary Policy Program of the preceding year.

5. The reports, communications, and documents envisaged by this Article may contain also other provisions or information prescribed by the Central Bank Board.

(Article 17 was revised by HO-209 dated 18.03.98 and HO-36-N dated 25.12.06; supplemented by HO-200-N dated 11.10.07; supplemented and revised by HO-114-N dated 30.04.09; revised, amended, and supplemented by HO-313-N dated 13.12.17)

CHAPTER 3

GOVERNANCE OF THE CENTRAL BANK

Article 18. The Central Bank Governor and Deputies
(the title was amended by HO-133-N dated 12.11.15)

1. The Governor of the Central Bank shall be the highest official of the Central Bank. The Governor shall be responsible for the fulfillment of the objectives of the Central Bank envisaged by this Law. When the Governor is absent or is otherwise unable to perform their official duties, they shall be substituted by one of the Deputy Governors, and when the Deputy Governors are absent or otherwise unable to perform official duties, by the eldest Board member of the Central Bank.

2. The Central Bank Governor shall, upon nomination by the competent standing committee of the National Assembly, be elected for a six-year term by the National Assembly by an at least three-fifths vote of the total number of parliamentarians.

The Deputy Governors of the Central Bank shall, upon nomination by the competent standing committee of the National Assembly, be elected for a six-year term by the National Assembly by majority vote of the total number of parliamentarians.

Persons that have higher education, are at least 25 years old, have been a citizen of only the Republic of Armenia during the last four years, have permanently resided in the Republic of Armenia during the last four years, have voting rights and a command of Armenian, may be elected as the Central Bank Governor or Deputy Governor, provided that they:

a) have a high reputation in the financial system; and

b) have at least three years' managerial experience in the field of monetary policy implementation or three years' professional experience in international financial organizations or at least four years' managerial experience in banking or insurance or the securities market or at least four years' professional experience of academic or research work in the macroeconomic sphere.

3. (This Paragraph was repealed by HO-313-N dated 13.12.17)

4. The Central Bank Governor shall:

a) coordinate and ensure the normal functioning of the Central Bank, the Board, and the Board members;

b) chair the Central Bank Board sessions and sign the Central Bank Board's acts and session minutes;

c) ensure execution of the normative acts of the Central Bank Board;

d) represent the Central Bank in the Republic of Armenia, other states, and international organizations;

e) issue powers of attorney;

f) approve the structure of the Central Bank and the staffing list;

g) with the exception of cases envisaged by this Law, appoint and dismiss the heads and other employees of subdivisions of the Central Bank;

g1) adopt individual and internal decisions and instructions, including decisions ordering audits in supervised entities; and

h) exercise other authorities that are by law not reserved for the Central Bank Board.

(Article 18 was supplemented by HO-45-N dated 03.03.04 and HO-245-N dated 08.12.05; revised by HO-36-N dated 25.12.06; amended by HO-133-N dated 12.11.15; and revised and amended by HO-313-N dated 13.12.17)

Article 18.1. Executive Committee of the Central Bank

1. The Executive Committee of the Central Bank shall comprise the Central Bank Governor, Deputy Governor, and the subdivision heads appointed by the Central Bank Governor.

2. The Executive Committee of the Central Bank shall:

a) Discuss and present to the Central Bank Board an opinion on the legal acts subject to adoption by the Central Bank Board;

b) Upon instruction by the Central Bank Governor, discuss and present to the Governor an opinion on legal acts being adopted by the Central Bank Governor;

q) Organize discussions and issue opinions or conclusions on any matter pertaining to the authority of the Central Bank; and

d) Perform other functions as decided by the Central Bank Governor.

(Article 18.1 was supplemented by HO-313-N dated 13.12.17)

Article 19. The Board of the Central Bank

1. The Board of the Central Bank shall be the highest governance body of the Central Bank. The Central Bank Board shall comprise the Central Bank Governor, the two deputies, and five members.

2. The members of the Central Bank Board shall, upon nomination by the competent standing committee of the National Assembly, be elected for a six-year term by the National Assembly by majority vote of the total number of parliamentarians. The Board members shall serve in office for the following terms:

One member - 1 year;

One member - 2 years;

One member - 3 years;

One member - 4 years; and

One member – 5 years.

All Board members appointed subsequently shall serve in office for a term of six years. In the event of a vacancy in the Board, a new member shall be appointed for the remainder of the term in office.

3. Persons that have higher education, are at least 25 years old, have been a citizen of only the Republic of Armenia during the last four years, have permanently resided in the Republic of Armenia during the last four years, have voting rights and a command of Armenian, may be elected as a member of Central Bank Board, provided that they:

a) have a high reputation in the financial system;

b) have at least two years' managerial experience in the field of monetary policy implementation or two years' professional experience in international financial organizations or at least four

years' managerial experience in banking or insurance or the securities market or at least four years' professional experience of academic or research work in the macroeconomic sphere; and c) have professional abilities and knowledge that can secure performance of the powers enshrined in Article 20 of this Law.

4. In addition to the criteria enshrined in Paragraph 3 of this Article, the Board shall be formed in such a way as to ensure that:

- a) at least half of the Board members have professional experience of working in the macroeconomic sphere; and
- b) the Board members have knowledge on banking, audit, financial reports, information technologies, and the legislation regulating the activities of the Central Bank and financial organizations.

A person may not be the Central Bank Governor or Deputy Governor or a Board member of the Central Bank if such person:

- a) has by court judgment been declared to have no capacity or legal capacity, or has by a final judgment been convicted for a crime committed with intention; or
- b) has been, under the procedure envisaged by law, deprived of the right to hold certain positions.

5. During their term in office, the Central Bank Governor and Deputy Governors and Board members may not hold any office in other state or local government bodies, unless it is due to their official capacity, or be a member of any political party or otherwise engage in political activities or engage in business activities or paid other paid work, except for scientific, educational, and creative work. In public speeches, they shall demonstrate political restraint.

The Central Bank Governor and Deputy Governors and Board members may hold an office in commercial organizations and foundations, when it is due to their official capacity.

Board members of the Central Bank may not hold any other position in the Central Bank. A Board member of the Central Bank shall be responsible for the work they perform in the Central Bank Board.

(Article 19 was amended by HO-133-N dated 12.11.15; revised and amended and supplemented by HO-313-N dated 13.12.17)

Article 20. Powers of the Central Bank Board

The Central Bank Board shall:

- a) approve the By-Laws of the Central Bank;
- b) approve the Monetary Policy Program of the Republic of Armenia;
- c) establish the limits and interest rates of open market operations performed, loans made, and deposits attracted by the Central Bank;
- d) establish the procedure and conditions of required reserves provisioning by banks with the Central Bank;
- e) adopt individual and sub-legislative normative decisions of the Central Bank, and in cases when the Central Bank acts as a bank—internal legal acts (decisions).

- f) to ensure free economic competition in the financial system, adopt normative legal acts and typologies concerning abuse of dominant position, preventing anti-competitive agreements, and concentrations;
- g) determine the face value and design of the Republic of Armenia national currency (for both banknotes and coins (including commemorative coins)), the procedures and conditions of issuance and withdrawal from circulation, and decide to issue, revoke, and withdraw banknotes and coins (including commemorative coins)—establishing the timeframe for revocation and withdrawal from circulation;
- h) decide on the membership of the Central Bank in international organizations;
- i) approve the reports and opinions presented by the Central Bank;
- j) (this sub-paragraph was repealed by HO-36-N dated 25.12.06);
- ja) approve the procedure of Central Bank lending to banks, and in the cases envisaged by the Republic of Armenia Law on Compulsory Insurance for Liability Arising out of Motor Transport Use, also the procedure of Central Bank lending to the Bureau of insurance companies performing the compulsory insurance for liability arising out of motor transport use (hereinafter, “the Bureau”);
- jb) found and liquidate territorial subdivisions of the Central Bank;
- jc) approve the annual cost estimate and annual and other reports of the Central Bank;
- jd) define the list of the securities that the Central Bank may acquire, hold, and alienate, as well as approve the procedures of acquiring, holding, and alienating them;
- je) define the types of short-term government securities issued by the Central Bank, and approve the terms of their issuance and redemption and the procedure of carrying out operations with them, subject to the agreement of the body authorized by the Government of the Republic of Armenia;
- jf) under the procedure defined by law, issue banking and other licenses, declare them as invalid or cancelled, and define the procedures for licensing banks and other entities;
- jg) pursuant to the procedure defined by the Republic of Armenia Law on the Bankruptcy of Banks, Credit Organizations, Investment Firms, Investment Fund Managers, and Insurance Companies, recognize a bank, credit organization, investment firm, investment fund manager, or insurance company as insolvent and initiate bankruptcy proceedings with respect thereto, exercise other powers prescribed by the said law, and take decisions on the reorganization of banks, credit organizations, investment firms, investment fund managers, or insurance companies, which are by law reserved for its authority;
- jh) approve the by-laws of the Central Bank Board;
- ji) establish prudential requirements on the activities of financial groups of banks and the procedure of calculating them;
- k) give initial consent to or reject the acquisition of a significant participation in the statutory fund of a banks;
- ka) approve the forms of statements submitted to the Central Bank by banks and other entities licensed and supervised by the Central Bank, as well as by financial groups;
- kb) establish the minimum conditions of internal control in banks and financial groups (types, sub-groups);

kc) (this sub-paragraph was repealed by 23.05.06 HO-76-N);

kc1) approve the procedures for operations with government securities (including their depositary activities, accounting and settlements system operation, allocation, allocation of under-allocated securities, circulation of securities in the secondary market, repurchase and redemption, as well as pledging of securities), subject to the agreement of the body authorized by the Government of the Republic of Armenia;

kd) adopt legal acts regulating payment and settlement relationships and money circulation in the Republic of Armenia;

ke) (this sub-paragraph was repealed by 22.12.10 HO-281-N);

kf) approve the procedures and terms of issuing and promulgating official and other periodicals of the Central Bank;

kg) issue clarifications to the normative acts of the Central Bank;

kh) adopt credit risk assessment regulations binding for the banks, as well as terms and procedure of supervising entities the balance sheets of which are incorporated in the balance sheet of the Central Bank (consolidated balance sheet) under the procedure envisaged by law and by legal acts of the Central Bank; and

ki) exercise other powers envisaged by law;

l) adopt normative legal acts regulating the activities of credit organizations under the Republic of Armenia Law on Credit Organizations, including approval of the model by-laws of credit organizations, and definition of the procedure and terms of participation of credit organizations in the credit registry (the information system for assessing the creditworthiness of bank customers);

la) (this sub-paragraph was repealed by 22.12.10 HO-281-N);

lb) (this sub-paragraph was repealed by 22.12.10 HO-281-N);

lc) (this sub-paragraph was repealed by 22.12.10 HO-281-N).

(Article 20 was revised and supplemented by HO-243 dated 23.10.01; revised by HO-256 dated 06.11.01; supplemented by HO-371-N dated 29.05.02 and HO-427-N dated 23.10.02; revised and supplemented by HO-45-N dated 03.03.04; revised by HO-147-N dated 24.11.04 and HO-17-N dated 14.12.04; amended by HO-245-N dated 08.12.05; revised and amended by HO-76-N dated 23.05.06; amended by HO-36-N dated 25.12.06 and HO-44-N dated 25.12.06; revised and supplemented by HO-183-N dated 09.04.07; revised by HO-200-N dated 11.10.07; amended by HO-83-N dated 26.05.08; supplemented by HO-189-N dated 22.10.08 and HO-66-N dated 18.05.10; supplemented and amended by HO-281-N dated 22.12.10; supplemented by HO-133-N dated 12.11.15; revised by HO-313-N dated 13.12.17)

Article 21. Sessions of the Central Bank Board

1. Sessions of the Central Bank Board shall be convened when necessary upon the demand of the Governor, at least one of their deputies, or at least three members of the Central Bank Board, but not less than once a month. Minutes of the sessions of the Central Bank Board shall be taken.

2. In-camera sessions of the Central Bank Board may be convened when issues related to individual banks are discussed, which contain bank secrecy, or when issues related to information that is deemed confidential information under Republic of Armenia Law on the Securities Market are discussed, or when issues related to individual insurers are discussed, which contain insurance secrecy, or when issues related to the Board members are discussed. In-camera sessions of the Board may be attended only by the members of the Central Bank Board and persons that are formally invited by the Board.

3. The Central Bank Board may take decisions if at least five members of the Board are present at the session, including the Central Bank Governor or at least one Deputy Governor, provided that the number of the Governor and Deputy Governor participating in the Board session is not greater than the number of other members participating. A decision shall be deemed adopted if more than half of the Board members present at the session have voted for it. In case of a tie vote, the vote of the Central Bank Governor, and in their absence or inability to perform official duties, the vote of the Deputy Governor presiding over the session shall be decisive.

4. The authorized representative of the Government, as well as the Central Bank Board member who voted against the decision of the Board, may demand that their opinion be reflected in detail in the minutes of the session.

5. If necessary, the Central Bank Board may, subject to the by-laws adopted by it, adopt decisions through an inquiry. A decision shall be adopted through an inquiry in accordance with the voting procedure defined by Paragraph 3 of this Article.

(Article 21 was supplemented by HO-243 dated 23.10.01; supplemented by HO-183-N dated 09.04.07 and HO-200-N dated 11.10.07; amended by HO-133-N dated 12.11.15)

Article 22. Grounds for Removal of the Central Bank Governor, Deputy Governors, and Other Members of the Board

(the title was revised by HO-313-N dated 13.12.17)

1. The Central Bank Governor, Deputy Governors, and other members of the Board may be dismissed from office voluntarily after giving at least 30 days' prior notice of resignation to the National Assembly. As from the 30th day after the date of giving notice, they shall be deemed dismissed from office.

2. The powers of the Central Bank Governor may be terminated by the National Assembly by a vote of at least three fifths of the total number of National Assembly members. The powers of other members of the Central Bank Board may be terminated by the National Assembly by a majority vote of the total number of the National Assembly members in case of violating any of the conditions envisaged by sub-paragraph 5(1) of Article 19 of this Law.

3. The powers of the Central Bank Governor, Deputy Governors, and other members of the Board shall terminate if they:

a) are by court judgment declared to have no capacity or limited capacity, or are by a final court judgment convicted of a crime committed with intention;

b) are under the procedure defined by law deprived of the right to hold a certain position;

c) have ceased to be a citizen of the Republic of Armenia or have lost voting rights; or

d) died or have by final court judgment been declared as missing.

4. The powers of the Central Bank Governor, Deputy Governors, and other members of the Board shall terminate also if they:

a) have failed to carry out their official duties for more than six months due to temporary inability to work or for more than three months due to unlawful grounds; or

b) have missed more than one quarter of the Board sessions in the course of a year without an excusable reason.

The Central Bank Board shall adopt a decision finding facts based on the grounds envisaged by this Paragraph, and from such moment on, the powers of the Central Bank Governor, Deputy Governors, and other members of the Board shall be deemed terminated.

(Article 22 was revised and supplemented and amended by HO-36-N dated 25.12.06; amended by HO-133-N dated 12.11.15; revised by HO-313-N dated 13.12.17)

Article 23. Asset and Income Declarations of the Members of the Central Bank Board
(the title was revised by HO-313-N dated 13.12.17)

1. The Central Bank Governor, Deputy Governors, and other members of the Board shall lodge declarations on their assets and income pursuant to the Republic of Armenia Law on Public Service.

(Article 23 was amended by HO-133-N dated 12.11.15; revised by HO-313-N dated 13.12.17)

Article 24. Employees of the Central Bank

1. The employees of the Central Bank shall be the Central Bank staff and the service personnel. The Central Bank staff shall be the persons that are engaged directly in carrying out the objectives of the Central Bank and hold positions prescribed by the By-Laws and staffing list of the Central Bank.

2. During service in the Central Bank, the staff of the Central Bank may not, unless with the consent of the Central Bank Governor, hold any other state position or perform any other paid work, except for scientific, teaching, and creative work. The staff of the Central Bank may not work in banks or be members of their managing bodies.

3. The Central Bank Governor, Deputy Governors, other members of the Board, and staff shall be prohibited from receiving commercial loans from banks, personally or through related persons, for the purpose of carrying out entrepreneurial activities. Such persons shall be obliged to inform the Central Bank of all loans received by them not prescribed herewith, which are not provided by the Central Bank. Records of such loans shall be kept in the Central Bank.

4. The service personnel of the Central Bank shall include such employees of the Central Bank, whose duties are not directly related to the execution of the objectives of the Central Bank, including employees involved in auxiliary housekeeping support services. The staffing list, duties, remuneration rate, and working conditions of the Central Bank's service personnel shall be defined by the Central Bank Governor.

5. The Central Bank, its governing bodies, staff, and any person representing the Central Bank or duly authorized to act on behalf of the Central Bank may not be held liable (including compensation of damages) for decisions taken in relation to the supervision of financial organizations, actions performed, or inaction, provided that they acted in accordance with the law (*bona fide*).

(Article 24 was amended by HO-133-N dated 12.11.15; amended and supplemented by HO-313-N dated 13.12.17)

Article 25. Internal Audit of the Central Bank
(the title was revised by HO-313-N dated 13.12.17)

1. In the Central Bank, the internal audit function shall be performed by a special structural unit of the Central Bank, which shall be independent of the functions of the Central Bank and shall report to the Central Bank Board.

2. Internal audit shall be a function that provides an independent and impartial assessment of the Central Bank's internal control, risk management, and the effectiveness of corporate governance to the Central Bank Board, Governor, and Audit Committee.

3. The internal audit unit shall be led by the chief auditor who shall be appointed and dismissed by the Central Bank Board.

4. The internal audit unit shall carry out its activities in accordance with this Law and the by-laws approved by the Central Bank Board and shall be guided by the International Standards and Ethics Rules for the Professional Practice of Internal Auditing, approved by the Institute of Internal Auditors.

(Article 25 was revised by HO-243 dated 23.10.01 and HO-313-N dated 13.12.17)

Article 25.1. Audit Committee of the Central Bank

1. The Audit Committee shall be a body independent of executive responsibilities and powers, the goal of which is to support the Central Bank Board to carry out its powers in the field of audit.

2. The Audit Committee shall consist of three members of the Central Bank Board. The Central Bank Governor and their deputies may not be members of the Committee. The Committee members shall not be remunerated for their work. They perform such work as members of the Central Bank Board.

3. The Audit Committee shall report to the Central Bank Board.

4. The Audit Committee shall control the internal audit function, monitor the performance of external providers of assurance services, including the external auditor, and perform other functions envisaged by the by-laws of the Audit Committee.

5. The procedure of exercising the powers of the Audit Committee shall be defined by the Audit Committee's by-laws approved by the Central Bank Board.

(Article 25.1 was supplemented by HO-313-N dated 13.12.17)

Article 26. Amount of Remuneration of the Central Bank Board Members and Staff

1. The amount of remuneration of the Central Bank Governor, their deputies, and other Board members shall be defined by the Central Bank Board.

2. The amount of remuneration of the Central Bank staff shall be defined by the Central Bank Governor based on the provisions of Paragraph 2 of Article 14 of this Law. The remuneration amount calculation shall include wages as well as supplementary remuneration paid by the Central Bank.

(Article 26 was amended by HO-133-N dated 12.11.15)

Article 27. Conflict of Interests

1. The Central Bank Governor, their deputies, other Board members, and staff shall, while performing their official duties, be governed by law and by interests arising out of the need to accomplish the objectives of the Central Bank.

2. The Central Bank Governor, their deputies, other Board members, and units heads, and persons related with them, may not, during their term in office or service, acquire a share in banks or give advice to acquire a share in banks.

3. The Central Bank Governor, their deputies, and other Board members shall not have the right to participate directly or indirectly in transactions with the securities of a reporting issuer or of an entity carrying out specialized activities, unless such participation is in a procedure envisaged by law.

4. Securities issued by a reporting issuer, which belong to the Central Bank Governor, their deputies, other Board members, or staff (or their spouses) shall be alienated or placed under trust management within a one-month period of them assuming their official duties or entering into service.

(Article 27 was supplemented by HO-200-N dated 11.10.07; amended by HO-133-N dated 12.11.15 and HO-313-N dated 13.12.17)

Article 28. Service Secrecy

1. The Central Bank Governor, their deputies, other Board members, and staff may not disclose or otherwise publicize information containing service secrecy or use such information for gainful purposes.

2. The Central Bank Governor, their deputies, other Board members, and staff may, and in cases envisaged by law shall be obliged to, disclose information containing service secrecy:

a) upon written permission of the Central Bank Governor or Board, or with the consent of such person or organization whom such information concerns, provided that such secrecy is the exclusive right or privilege of such person or organization;

b) when carrying out their obligation or duty prescribed by law, including when executing a court decision, or based on a decision taken by other authorized bodies within the limits of their powers;

c) to the Central Bank's internal audit or to an organization performing the external audit, except for information stipulated by law and other legal acts, and

d) for the purpose of defending, in court proceedings or other proceedings, the interests of the Central Bank Governor, Deputy Governors, other board members, or staff.

3. For purposes of this Law, "service secrecy" shall include information that became known to Central Bank employees in connection with the performance of their official duties, including information related to the possibility, timing, and plans of applying specific tools for implementing the Central Bank's monetary policy and ensuring financial stability, as well as information related to banking supervision, except for:

a) Information that was published or otherwise disseminated; and

b) information containing bank secrecy, the content and disclosure procedure and terms of which are prescribed by law.

4. The Central Bank Board may define the list of information constituting service secrecy and the differing degrees of secrecy, as well as the procedure of their use and disclosure.

(Article 28 was amended by HO-133-N dated 12.11.15; amended and supplemented by HO-313-N dated 13.12.17)

Article 29. By-Laws of the Central Bank

The by-laws of the Central Bank shall define the scope of authority of the structural divisions of the Central Bank, their managerial, and staff, as well as the procedure of establishing, liquidating, and functioning of territorial subdivisions, and other matters related to the governance of the Central Bank.

(Article 29 was revised by HO-45-N dated 03.03.04)

CHAPTER 4

RELATIONS OF THE CENTRAL BANK WITH STATE BODIES OF THE REPUBLIC OF ARMENIA

Article 30. Bank Servicing of the Government

The Central Bank shall, under the procedure envisaged by laws and other legal acts, provide free-of-charge banking services to the Government.

Article 31. Consultation

When drafting the state budget, the Government or its authorized body of state government shall consult with the Central Bank on issues related to the draft state budget, including the planned domestic and external state borrowings, their sources, volumes, terms and conditions, and the main directions and objectives of use of the borrowed funds. The Central Bank shall present to the Government an official opinion on the draft state budget. The official opinion of the Central Bank shall, in attachment to the draft state budget, be submitted to the National

Assembly for consideration under the procedure envisaged by law. The Central Bank shall provide the Government an official opinion also on the annual report on the execution of the state budget. The official opinion of the Central Bank shall, in attachment to the annual report on the execution of the state budget, be submitted to the National Assembly for consideration under the procedure envisaged by law.

(Article 31 was supplemented by HO-114-N dated 30.04.09)

Article 32. Financial Agent

The Central Bank shall act as financial agent of the Government of the Republic of Armenia for:

- a) the allocation, registration and transfer of bonds and other securities issued by the authorized body of the government, as well as for making payments of principal and interest or other required payments with respect to such securities, and shall serve as the central depository of bonds issued by the authorized body of the government;
- b) transactions related to the state budget and to the servicing of domestic and external state debt, as well as other payment operations; and
- c) other transactions not contradicting the objectives of the Central Bank.

(Article 32 was amended and supplemented by HO-243 dated 23.10.01; amended by HO-313-N dated 13.12.17)

Article 33. Provision of Information

1. The Central Bank shall, under the procedure agreed upon with the authorized body of the government, provide to the Government information on monetary and other matters reserved for its authority by this Law.

2. Information containing bank secrecy shall be provided under the procedure envisaged by law.

3. The authorized bodies of the government, as well as the National Statistical Committee of the Republic of Armenia shall, under the procedure agreed upon with the Central Bank, provide the following information to the Central Bank:

- a) information on state budget execution, its current volumes, and revenues;
- b) information on state borrowings, including their sources, volume, interest rates, repayment terms, other terms, and the directions and objectives of use of such funds; and
- c) data on the balance of payments and other financial and economic matters.

4. Information constituting state secrecy shall be provided under the procedure envisaged by law.

(Article 33 was amended by HO-243 dated 23.10.01 and HO-197-N dated 21.03.18)

Article 34. Government Lending

Any direct or indirect lending to or other financing of the Government or other state bodies by the Central Bank shall be prohibited, except for cases envisaged by this Law.

2. (this Paragraph was repealed by HO-243 dated 23.10.01)

3. (this Paragraph was repealed by HO-243 dated 23.10.01)
 4. (this Paragraph was repealed by HO-243 dated 23.10.01)
 5. (this Paragraph was repealed by HO-243 dated 23.10.01)
- (Article 34 was amended by HO-243 dated 23.10.01)

CHAPTER 5

RELATIONS OF THE CENTRAL BANK WITH BANKS AND OTHER ENTITIES

Article 35. Relations with Banks and Other Entities Licensed by the Central Bank

1. The Central Bank shall promote the activities, sustainable development, and creation of equal conditions for free competition between banks and other entities licensed by the Central Bank by means of undertaking the measures envisaged by law.
2. The Central Bank may not interfere with the ongoing activities of banks and other entities licensed by the Central Bank, except for cases envisaged by law.
3. Under the procedure and terms set forth by the Central Bank, an information system on creditworthiness of customers of banks and credit organizations—a Credit Registry—shall be created in the Central Bank for the purpose of ensuring financial stability, statistics, and proper supervision. Participation in the Credit Registry shall be mandatory for all banks and credit organizations operating in the Republic of Armenia territory.

(Article 35 was supplemented by HO-243 dated 23.10.01 and HO-45-N dated 03.03.04; revised by HO-313-N dated 13.12.17)

Article 36. Regulation and Licensing of Banking; Licensing of Other Entities

1. The Central Bank shall, in accordance with the law, establish the main and other prudential economic standards for regulation of bank financial group activities, as well as their calculation procedure and the capital calculation rules.
2. The Central Bank shall, under the procedure envisaged by law, license banking, supervise the activities of bank financial groups operating in the Republic of Armenia territory, define the forms and submission procedure of reports and statements submitted by them to the Central Bank. Banking supervision shall be the exclusive authority of the Central Bank. The Central Bank may, in cases provided by law, impose sanctions on bank financial groups.
3. The Central Bank shall license other entities in accordance with the procedure envisaged by law.
4. The exclusive power to demand and to receive reports from banks, credit organizations, and other entities licensed and supervised by the Central Bank shall, except for cases envisaged by law, belong to the Central Bank.

(Article 36 was supplemented by HO-243 dated 23.10.01, HO-45-N dated 03.03.04, and HO-133-N dated 12.11.15)

Article 37. Mandatory Provisions of Banks

1. The Central Bank shall establish the size of mandatory provisions to be placed by banks in the Central Bank against time, demand, and savings deposits and other liabilities attracted by banks, and define the procedures of provisioning and of using provisions.
2. The same procedure of mandatory provisioning procedure shall be established for banks carrying out the same activities and for all of the same liabilities undertaken by banks.
3. The Central Bank may establish a special mandatory provisioning procedure for foreign banks' branches operating in the Republic of Armenia territory, which shall apply to all branches of foreign banks.
4. The Central Bank Governor shall establish the interest rates payable against amounts subject to mandatory provisioning and the interest rates payable against amounts in excess of the mandatory provisioning amounts.

The interest rates prescribed by this Paragraph shall be the same for all banks carrying out the same activities and for all of the same liabilities undertaken by banks.

5. When a bank fails to provision in accordance with the established procedure, the Central Bank shall collect from the bank a penalty in an amount set by the Central Bank Board, which shall not exceed 1% of the average under-provisioned amount per day.
6. Based on a proposal of the bank, of the Central Bank Governor, the auditing unit, or upon its own initiative, or by concluding with the bank the agreement envisaged by Article 3910 of this Law, the Central Bank Board may adopt a decision on postponing the collection of a penalty imposed on the bank, reducing the penalty amount, or establishing a penalty collection timetable, if collection of such penalty may lead to financial distress of the bank under the criteria approved by the Central Bank Board.

(Article 37 was revised by HO-243 dated 23.10.01; supplemented by HO-45-N dated 03.03.04; amended by HO-70-N dated 23.05.06)

Article 38. Lending to Banks

1. The Central Bank may, as the lender of last resort, and in accordance with the procedure established by the Central Bank, extend to banks loans with a maturity not exceeding six months.

To preserve the integrity and soundness of the banking system of the Republic of Armenia as a whole, the Central Bank may extend loans with a maturity of more than six months, the repayment term of which may not exceed five years.

- 1.1. The decisions on bank lending by the Central Bank under this Article shall be adopted by the Central Bank Board.
2. Loans provided to banks by the Central Bank shall be secured by:
 - a) government securities;
 - b) cheques and promissory notes with a maturity of less than nine months;
 - c) other securities agreed to by the Central Bank Board;
 - d) coins (including commemorative) and standardized bullions made of gold and other precious metals; and

e) deposits in the Central Bank or in other banks as agreed to by the Central Bank Board, which are in Armenian drams, in sound foreign currency, in the securities listed in sub-paragraphs (a), (b), (c), and (d) of this Article, and in precious metals.

3. In certain cases, in order to ensure the stability and development of the banking system of the Republic of Armenia as a whole, the Central Bank may, under the procedure established by its Board, extend to banks loans secured by other means or unsecured (bank) loans.

4. The Central Bank Board may establish differentiated interest rates and special lending procedures and conditions for certain types of loans.

5. In certain cases, the Central Bank Board may guarantee the liabilities of banks for them to obtain loans from banks and other investors in support of development and other special projects, provided that:

a) the interest paid by the bank for such loan is significantly lower than the average market interest rate of similar loans in the Republic of Armenia;

b) the loan is long term; or

c) the loan use program has been approved by the Central Bank Board. The Central Bank Board may impose additional conditions for the provision of guarantees.

(Article 38 was amended by HO-44-N dated 25.12.06; revised and supplemented by HO-114-N dated 30.04.09)

Article 381. Lending to the Bureau

In the cases and procedure envisaged by the Republic of Armenia Law on Compulsory Insurance for Liability Arising out of Motor Transport Use, the Central Bank may extend loans to the Bureau.

(Article 381 was supplemented by 18.05.10 HO-66-N)

Article 382. Lending to the Deposit Guarantee Fund

If the stability of the banking system of the Republic of Armenia (liquidity and/or solvency) may be endangered at the time when an instance of compensation arises, the Central Bank may, subject to the procedure, terms, and timeframes approved by its Board, extend to the Deposit Guarantee Fund loans secured by a budget guarantee, in case of providing a budget guarantee under Article 11.1 of the Republic of Armenia Law on the Budgetary System of the Republic of Armenia.

(Article 382 was supplemented by 24.06.10 HO-110-N)

Article 39. Cooperation with Bank Unions and Associations

1. The Central Bank shall cooperate with banking unions and associations on issues related to banking. To this end, prior to adopting acts that may have a major impact on the banking system and bank activities, the Central Bank shall consult the said organizations and provide necessary clarifications.

2. With a view to studying and regulating objectives related to banking and to the cooperation with banking unions and associations, the Central Bank may participate in the activities of working groups and other structures of such unions and associations.

(Article 39 was amended by HO-313-N dated 13.12.17)

CHAPTER 51

AUDITS CARRIED OUT BY THE CENTRAL BANK, SUPERVISION, EXAMINATIONS, AND THE PROCEDURE AND CONDITIONS OF IMPOSING LIABILITY ON LICENSED PERSONS

Article 391. Supervision and Audits Carried out by the Central Bank

1. The Central Bank shall carry out audits of banks, foreign bank branches, credit organizations, payment and settlement organizations, securities market participants, non-state organizations carrying out pension activities, entities carrying out insurance activities, pawnshops, securitization funds, corporate investment funds, investment fund managers, investment fund foreign managers, the entity managing the Guarantee Fund envisaged by the Republic of Armenia Law on Cumulative Pensions (with respect to the Guarantee Fund), other entities licensed by the Central Bank, the Bureau, and financial groups operating in the Republic of Armenia territory (hereinafter, “audited entities”) (hereinafter, “audits of audited entities”) based on the grounds and in the cases and procedure stipulated by this Chapter, and in branches and subsidiaries of the entities envisaged by this Paragraph, which operate in foreign states, in the cases and procedure stipulated by the international treaties of the Republic of Armenia. The Central Bank may provide, to the respective authority having the exclusive power to supervise the entities envisaged by this Paragraph in a foreign state, such information that has become known to the Central Bank about audited entities, which such authority needs in order to supervise the branches or subsidiaries created in such foreign state by the audited entity that operates in the Republic of Armenia, or in order to give consent to the creation of a branch or subsidiary under the procedure stipulated by Article 8 of this Law. (this sentence was repealed by HO-313-N dated 13.12.17)

2. The Central Bank shall also carry out daily offsite supervision of audited entities by means of checking the reports, statements, and other documents or information presented to the Central Bank by such audited entities as required by law or normative legal acts adopted by the Central Bank, or as demanded based on them by the Central Bank Board, Governor, or an auditing unit (hereinafter, “audits” to denote audits and offsite supervision of audited entities).

The audit rules envisaged by this Law shall apply to both audits and offsite supervision of audited entities, unless the substance of such rule implies that it applies to only audits of the audited entity or to only offsite supervision.

3. Audits shall be carried out by the Central Bank's unit authorized to carry out audits (hereinafter, “the auditing unit”).

4. Audits of audited entities shall be carried out based on a decision of the Central Bank Board or Governor, by the officials designated in the power-of-attorney issued by the head of the auditing unit on the basis of such decision. Other employees of the Central Bank, who are not

employees of the auditing unit, may also participate in the audit of an audited entity. The aforementioned decision shall specify the name of the audited entity and the audit purpose. The power-of-attorney shall specify the composition of the audit team, including its leader, and the beginning and end of the audit of the audited entity. The power-of-attorney shall be issued on a template of the auditing unit, signed by the head of such unit or the person substituting them under the established procedure, without the stamp of the Central Bank. The head of the auditing unit shall not, when carrying out an audit of the audited entity, need a power-of-attorney. The Central Bank may define the minimum number of members of an audit team in normative legal acts adopted by the Central Bank.

5. Information contained in the reports and acts (statements) prepared as a result of audits in banks shall be deemed bank secrecy; in investment firms, regulated market operators, corporate investment funds, and the Central Depository—such information shall be deemed service and internal information; in insurance and reinsurance companies and in the Bureau—such information shall be deemed insurance secrecy. Such information may be provided to third parties only based on the grounds and in the procedure prescribed by law.

6. During audits in banks, insurance or reinsurance companies, the Bureau, investment firms, and corporate investment funds, in case of discovering violations that contain elements of an act subject to criminal prosecution, or during the current activity of corporate investment funds—in case of discovering acts subject to criminal prosecution, which are certainly known to be in preparation or have already been committed, the Central Bank shall inform the respective law-enforcement authorities thereof under the procedure stipulated by, respectively, the Republic of Armenia Law on Bank Secrecy, the Republic of Armenia Law on Insurance and Insurance Activities, the Republic of Armenia Law on the Securities Market, or the Republic of Armenia Law on Cumulative Pensions.

7. During audits of audited entities that are not banks, corporate investment funds, investment firms, investment fund managers, insurance or reinsurance companies, or the Bureau, in case of discovering violations containing elements of an act subject to criminal prosecution, which is certainly known to be in preparation or has already been committed, the Central Bank shall inform the respective law-enforcement authorities thereof under the procedure stipulated by law.

8. The Central Bank may also carry out examinations of audited entities in the territory of the audited entity or the Central Bank, with a view to clarifying and interpreting reports and other documents presented to the Central Bank or performing certain analyses. The sanctions envisaged by this Chapter may not be imposed as a result of examinations.

(Article 391 was supplemented by HO-45-N dated 03.03.04; revised and supplemented by HO-245-N dated 08.12.05 and HO-183-N dated 09.04.07; supplemented and revised by HO-200-N dated 11.10.07; supplemented by HO-99-N dated 26.05.08, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10; amended by HO-133-N dated 12.11.15 and HO-313-N dated 13.12.17)

Article 392. Terms of the Audit

1. Audits shall be carried out by means of reviewing and studying the audited entity's founding documents, amendments therein, internal acts of all the governance bodies, accounting

documents prepared on the basis of operations performed, financial reports, internal and external correspondence, contracts (acts, protocols, etc.), and information stored in computers and electronic or paper media.

2. During the audit of an audited entity, other persons may not enter into the territory provided to the audit team without the permission of the members of the audit team.

3. At the end of the working day, the territory provided to the audit team may be sealed and transferred to the audited entity for safekeeping.

4. If necessary, the head of the audit team may seal certain service areas of the audited entity, if at such time, it is not possible to ensure, by any other means, the checking, recording, or stock-taking of documents, cash, and other valuables kept therein. In such case, an appropriate act shall be compiled, which shall be signed by the head of the audit team and the competent employees of the audited entity. The form of the act mentioned in this Paragraph shall be approved by normative legal acts of the Central Bank.

5. The non-performance or improper performance, by the audited entity or its managers or other employees, of the obligations envisaged by this Chapter, including delays in their performance, as well as the presentation of false or incorrect data shall be deemed obstruction of the audit. Each such case shall, on the same day, be documented in a protocol (act) by the head of the audit team or, in case of an audit, by an official of the Central Bank, and presented to the Central Bank Governor and the audited entity. The form of the protocol (act) mentioned in this Paragraph shall be approved by normative legal acts of the Central Bank.

(Article 392 was supplemented by HO-45-N dated 03.03.04)

Article 393. Obligations of the Audited Entity; Responsibility of the Central Bank

1. The audited entity shall do the following for the audit team:

- a) during the audit, ensure unhindered access to the building or certain service areas of the audited entity, including server and computer and other software rooms throughout the business day, or subject to mutual agreement on non-working days and hours;
- b) on the first day of the audit, arrange the audit team members' meeting with the head/-s of the audited entity's executive body and the competent officials supporting the audit;
- c) provide work space that is equipped with sufficient working conditions, as well as adequate technical, communications, and other means;
- d) deliver to the audit team the complaints and proposals received from the audited entity's customers and participants; and
- e) organize a meeting as requested by the audit team with customers and/or participants of the audited entity.

The audited entity shall comply with the lawful demands of the head and members of the audit team, and shall deliver to the head and members of the audit team oral and written explanations, information, and clarifications on documents and information subject to audit.

2. It shall be prohibited to impede or intervene with lawful actions of members of the audit team during audits.

3. For the purpose of conducting an audit, the Central Bank's Board, Governor, and the auditing unit may instruct the audited entity to demand the necessary documents or information from the audited entity's customers, counterparties, creditors, participants, or parties acquiring a participation in the audited entity. The audited entity shall present to the Central Bank the information obtained from customers, counterparties, creditors, participants, or parties acquiring a participation.

4. The Central Bank shall bear responsibility for the safekeeping and returnability of documents provided by the audited entity temporarily to the audit team members or other officials of the Central Bank.

(Article 393 was supplemented by HO-45-N dated 03.03.04)

Article 394. Rights and Obligations of the Audit Team

1. For the purpose of conducting audits, the audit team may:

a) Freely access all premises of the audited entity, except for the cash vault, entry to which shall be performed only when accompanied by the relevant staff of the audited entity;

b) use the technical means available to the audited entity, which are necessary for the audit, and bring into the premises of the audited entity computers, magnetic carriers, calculators, and other devices;

c) demand the documents necessary for the audit from the audited entity, its managers, and competent staff, even when such documents contain banking, commercial, or other secrecy, including:

- the audited entity's constituent documents, changes made thereto, internal acts of the audited entity's management bodies, internal control acts, and other internal acts;

- contracts, internal and external correspondence, cash and settlement documents, financial statements, original and other accounting documents, internal reports, references, reports, and minutes;

- information on the operations performed, rejected loan applications, and customer complaints and applications;

- documents related to the computer system that supports the activities of the audited entity,

- all documentation related to the relationship with the independent audit company;

- reports of the audited entity's control committee and internal audit unit;

- information and other necessary documents related to actions taken by the audited entity to eliminate violations and shortcomings discovered as a result of the audit;

- information and other necessary documents related to action taken by the audited entity to carry out instructions issued by the Central Bank Board or Governor;

- information and other necessary documents related to the implementation progress of the plan of activities of the audited entity; and

- necessary documents and information related to the audited entity's customers, participants, and counterparties;

d) when necessary, autonomously or with the help of the audited entity, make copies of the necessary documents, files, and records kept in the computer network or a distinct computer system; and

e) present to the audited entity's management and competent staff other justified demands within the limits of their authority, provided they are consistent with the audit necessity and objective.

2. The audit team shall conduct audits in accordance with the procedure stipulated by this Law and by legal acts adopted in accordance herewith. The audit team shall present to the Central Bank Board and Governor, in the time period and procedure stipulated by the Central Bank Governor, the reports on audits of audited entities.

(Article 394 was supplemented by HO-45-N dated 03.03.04)

Article 395. Audit Directions (Areas) and Follow-up

1. Audits may be conducted in the following directions (areas):

a) checking the lawfulness of the constituent documents and changes therein;

b) analysis and evaluation of the total capital size and the prudential economic standards;

c) analysis and evaluation of liquidity;

d) analysis, classification, and evaluation, and analysis and evaluation of liabilities;

e) evaluation of management quality;

f) analysis and evaluation of financial results (income and expenses);

g) analysis and evaluation of risks and/or their specific types;

h) analysis and evaluation cash flows;

i) checking the accuracy of data in statements and information presented to the Central Bank;

j) checking the progress and results of executing instructions and proposals issued by the Central Bank, as well as of executing the contract stipulated by Article 3910 of this Law;

k) checking the lawfulness of certain types of financial operations performed by the audited entity;

l) checking the space and the technical facilities;

m) checking the activities of territorial subdivisions or a part of them;

n) checking the compliance of the audited entity's activities with the requirements of laws and other legal acts regulating the audited entity's activities; and

o) checking the compliance of the audited entity's (except for banks, investment firms, investment fund managers, insurance and reinsurance companies, and credit organizations) activities with the requirements of laws and other legal acts regulating activities subject to licensing.

2. During audits, analysis and evaluation may be performed in all or a part of the directions (areas) envisaged by Paragraph 1 of this Article.

3. The directions (areas) to be audited during an audit shall be determined by individual legal acts of the Central Bank Board or Governor.

4. The timetable for consolidating and presenting the results of the audit of a particular audited entity shall be determined by an individual legal act of the Central Bank Board or Governor.

5. Prior to conducting the audit, the audited entity shall prepare or present to the Central Bank the required documents and information as demanded by the Central Bank Board, Governor, or audit unit.

6. Within a two-week period of the end of the audit, a preliminary discussion of the audit results shall take place with the participation of the managers of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, or credit organization, as well as members of the audit team, and participants of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau or credit organization, which are included in the list presented by the Central Bank.

The audit unit shall present to the Central Bank Governor, for obtaining their consent, the name of the participants or representatives of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, or credit organization, which participate in the preliminary discussion.

Upon the Central Bank's instruction, the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, or credit organization shall ensure the presentation of information on the audit results to the participants of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, or credit organization, as well as ensure their or their representatives' participation in the preliminary discussion of the audit results. The absence of participants or participants' representatives of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, or credit organization shall not serve as a reason for not conducting the preliminary discussion of the audit results. If necessary, the audit team may invite to the preliminary discussion also representatives of the independent audit company that carried out an audit in the bank, investment firm, insurance or reinsurance company, the Bureau, or credit organization.

Minutes reflecting the results of the preliminary discussion shall be prepared.

7. After completing the audit, in the procedure and time period stipulated by decision of the Central Bank Governor, a report shall be prepared by the audit team based on the results of the audit.

8. The audit report shall be prepared in two counterparts, which shall be signed by the audit team and delivered to the management of the audited entity.

9. The audited entity, the head of its executive body, or an alternate official shall, within a week, become familiar with the report and sign it, writing "I have become familiar with the report" on it, and return one copy to the auditing team.

10. The audited entity, its executive body, or the head of its executive body, as well as a participant that has a significant participation in the audited entity may, within the time period envisaged in Paragraph 9 of this Article, present with the report their written objections and explanations, as well as participate in discussions of the report held in the Central Bank. Discussions of the report and the audited entity's objections and explanations shall be held in the Central Bank in the time periods and procedure established by the Central Bank Governor. (Article 395 was supplemented by HO-45-N dated 03.03.04, HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10)

Article 396. Audits of Territorial Subdivisions of the Audited Entity

1. Audits in territorial subdivisions of the audited entity shall be conducted in accordance with the procedure envisaged by this Chapter.
2. After completion of the audit of a territorial subdivision of the audited entity, the preliminary results of the audit shall be discussed with the head of the territorial subdivision, and if necessary, also with the other competent staff.
3. After completion of the audit, based on the audit results and the results of the discussion envisaged by Paragraph 2 of this Article, the audit team shall prepare a report that shall be signed by the audit team and the head of the territorial subdivision of the audited entity within a two-day period, writing "I have become familiar with the report" on it. The report shall be prepared in three counterparts (one for each of the audited entity, the territorial subdivision of the audited entity, and the audit team). The head of the territorial subdivision of the audited entity may, within the two-day period stipulated by this Paragraph, present their written objections and explanations in attachment to the report.
4. The follow-up on the audit results of a territorial subdivision of the audited entity shall be performed in accordance with the procedure envisaged by Article 395 of this Law.
(Article 396 was supplemented by HO-45-N dated 03.03.04)

Article 397. Grounds for Imposing Sanctions; the Sanctions

The Central Bank may impose on the audited entities and their heads the sanctions prescribed by law, if the requirements of laws and other legal acts regulating their activities have been violated (hereinafter, "a violation). The Central Bank shall impose such sanctions based on the Central Bank's objectives and goals for financial system regulation; such sanctions shall be means of regulating the financial system.
(Article 397 was supplemented by HO-45-N dated 03.03.04 and HO-313-N dated 13.12.17)

Article 398. Documenting a Violation

1. As a result of audits, a violation committed by the audited entity or its manager shall be documented by the audit team by means of preparing a protocol (hereinafter, "a protocol"), and from the moment of preparing such a protocol, the violation shall be deemed documented. From the moment of documenting the violation, proceedings of imposing a sanction on the audited entity or its manager (hereinafter, "proceedings") shall commence.
2. The protocol shall contain a detailed description of the violation and specify the violated provision of the law or other legal act that was violated by the audited entity or its manager.
3. Within seven business days of preparing the protocol, it shall be sent to the head of the executive body or, if there is a board, also the board chairman of the audited entity that committed the violation, with a cover letter by the head of the audit unit.

4. Within seven calendar days of receiving the protocol, the audited entity may submit to the Central Bank written explanations, objections, or clarifications on the protocol.
(Article 398 was supplemented by HO-45-N dated 03.03.04)

Article 399. Collecting Penalties; Imposing Other Sanctions

1. If penalties or other sanctions are imposed upon the audited entity or its manager, the Central Bank shall notify the audited entity or its manager thereof in writing according to the procedure stipulated by its normative legal acts.
2. After receiving the notice on imposing the penalty specified in Paragraph 1 of this Article, the audited entity or its manager may present to the Central Bank, within the time period specified in the notice, a copy of the document confirming payment of the penalty, and in case of having a bank or correspondent account with the Central Bank, instruct the Central Bank to charge the penalty amount from its bank (correspondent) account.
3. In case of not receiving the document copy or instruction specified in Paragraph 2 of this Article, the Central Bank shall apply to court in accordance with the procedure stipulated by law.
4. The penalty amounts stipulated by this Article shall be credited to revenues of the Republic of Armenia state budget.

(Article 399 was supplemented by HO-45-N dated 03.03.04)

Article 3910. Agreement Between the Central Bank and a Bank, Investment Firm, Investment Fund Manager, Insurance or Reinsurance Company, the Bureau, a Credit Organization, or a Financial Group

(the title was supplemented by HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10; amended by HO-133-N dated 12.11.15)

1. An agreement may be concluded between the Central Bank and a bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, a credit organization, or a financial group that committed violations, for the purpose of improving the financial situation and ensuring the sound operation of such bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group, unless all or one of the insolvency grounds stipulated by Paragraph 1 of Article 2 of the Republic of Armenia Law on the Bankruptcy of Banks, Investment Firms, Investment Fund Managers, and Credit Organizations are present. The decision to conclude the contract stipulated by this Paragraph shall be adopted by the Central Bank Board.
2. From the moment of concluding the agreement specified in Paragraph 1 of this Article, proceedings initiated with respect to the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group that concluded such Agreement may be suspended or discontinued; the collection of a fine or penalty imposed upon the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group may be postponed, or a penalty or other sanction may be waived, or the fine or penalty amount may be reduced, or a fine or penalty collection timetable may be established.

3. The agreement may stipulate the following conditions (if applicable):

- a) implementation of a reorganization or development program within a certain time period;
- b) taking measures to eliminate the violation;
- c) suspending the payment of dividends;
- d) setting more rigorous prudential economic standards;
- e) reducing the managers' salaries and terminating the bonuses;
- f) terminating certain asset and/or liability operations or imposing volume restrictions thereon;
- g) restricting advertising; and
- h) other restrictions necessary for the purpose of improving the financial situation and ensuring the sound operation of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group.

(Article 3910 was supplemented by HO-45-N dated 03.03.04, HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10; amended by HO-133-N dated 12.11.15)

Article 3911. Statute of Limitation

The Central Bank may impose a sanction on the audited entity or its manager for a violation discovered within one year of finding such violation.

(Article 3911 was supplemented by HO-45-N dated 03.03.04)

Article 3912. Discontinuing the Proceedings

1. The Central Bank Governor may take a decision to discontinue the proceedings if:
 - a) the statute of limitation envisaged by Article 3911 of this Law has been missed;
 - b) the law does not prescribe liability for such violation;
 - c) The violation found at the time of initiating the proceedings subsequently, due to a change of the legislation, are no longer deemed a violation, or no sanction is prescribed for such violation;
 - d) the fact found is not a violation; or
 - e) after termination of the agreement envisaged by Article 3910 of this Law, the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group fully complied with the conditions stipulated by the agreement.
2. The Central Bank Governor may take a decision to discontinue the proceedings if, prior to the signing of the Central Bank Governor's decision on imposing a sanction, the audited entity or its manager voluntarily eliminated the violation.
3. The Central Bank Board shall discontinue the proceedings if the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, or credit organization has been declared insolvent, and may discontinue the proceedings if the agreement envisaged by Article 3910 of this Law has been concluded with the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group.

4. If the proceedings related to the violation were discontinued based on the ground specified in Paragraph 2 of this Article, the violation shall be deemed committed and shall be included in the calculation of the total number of violations committed by and found in respect of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group.

(Article 3912 was supplemented by HO-45-N dated 03.03.04, HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10; amended by HO-133-N dated 12.11.15)

Article 3913. Suspending the Proceedings

The Central Bank Board or Governor may suspend the proceedings if the imposition of the sanction requires additional clarifications related to the violation found, or if new circumstances have emerged, or if the agreement envisaged by Article 3910 of this Law has been concluded with the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group. The decision to suspend shall contain the time period and reason of such suspension. The suspension period may not be extended by the Board or Governor, if it was impossible, during the preceding suspension period, to carry out a complete analysis and review of the additional clarifications or the newly-emerged circumstances.

(Article 3913 was supplemented by HO-45-N dated 03.03.04, HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10; amended by HO-133-N dated 12.11.15)

Article 3914. Decision to Postpone Collection of the Penalty, to Waive the Penalty or Other Sanction, or to Mitigate the Penalty

The Central Bank Board may, based on a proposal by the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group, or by the Central Bank Governor or the audit unit, or upon the Central Bank Board's own initiative, or based on the fact that the agreement envisaged by Article 3910 of this Law has been concluded with the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group, take the decision to postpone the collection of the penalty, to waive the penalty or other sanction, to reduce the penalty amount, or to apply a penalty collection timetable, in relation to the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group, or in relation to its manager, when collection of the penalty may lead to a difficult financial situation, justified as per criteria approved by the Central Bank Board, of the bank, investment firm, investment fund manager, insurance or reinsurance company, the Bureau, credit organization, or financial group.

(Article 3914 was supplemented by HO-45-N dated 03.03.04, HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-66-N dated 18.05.10, and HO-281-N dated 22.12.10; amended by HO-133-N dated 12.11.15)

(this Chapter was supplemented by HO-45-N dated 03.03.04)

CHAPTER 5.2

(this Chapter was supplemented by HO-133-N dated 12.11.15)

REGULATION OF FINANCIAL GROUPS

Article 39.15 Financial Group

1. For purposes of this Law and other laws regulating the activities of financial organizations, a “financial group” is a group of two or more interconnected financial organizations and their mother organization (-s) (if any).

2. For purposes of applying Paragraph 1 of this Article:

1) a “mother organization” is the organization that has control over an organization: “control” is determined as per International Financial Reporting Standards 10;

2) a “financial organization” is a bank, credit organization, investment firm, investment fund manager, or insurance (reinsurance) company;

3) an “organization” is the financial organization that is a part of the financial group and the mother organization, taken together, unless this Law provides otherwise;

4) organizations are deemed interconnected as per the Republic of Armenia Law on Banks and Banking;

5) a “responsible entity” is the financial organization selected by organizations that are members of the financial group and designated by the Central Bank or, in cases provided by this Law, the financial organization that is a member of the financial group designated by the Central Bank, which is obliged, in the procedure, time period, and frequency stipulated by this Law and the normative legal acts of the Central Bank, to carry out functions reserved for it by this Law and normative legal acts on the Central Bank, for the non-performance of which it shall be held liable under the financial sector law that regulates the financial organization activities of the responsible entity.

Article 39.16. Qualifying Organizations as a Financial Group

1. If the grounds specified in Paragraph 1 of Article 39.15 of this Law are present, organizations shall be qualified (recognized) as a financial group by decision of the Central Bank Board. The decision specified in this Paragraph may be adopted on the basis of the Central Bank’s justified opinion or an application by the authorized representative of the group of organizations (hereinafter in this Chapter, “the Authorized Representative”) to be qualified as a financial group. The application lodged by the Authorized Representative shall contain justifications for qualifying the organizations as a financial group, as well as a proposal nominating the

responsible entity or a proposal to the Central Bank to designate the responsible entity upon its initiative.

2. The procedure and time periods of qualifying organizations as a financial group, and the procedure and form of the application and justifications of the Authorized Representative shall be approved by the Central Bank through normative legal acts.

3. For purposes of effective supervision, and based on the financial group's size, structure complexity, and risk level, the Central Bank may classify the financial group by types and categories.

4. The Central Bank shall define in its normative legal acts the principles of classifying financial groups by types and categories according to residency and other criteria.

5. If, after taking the decision specified in Paragraph 1 of this Article on recognizing organizations as a financial group, the grounds envisaged by Article 39.15 of this Law for taking such decision have ceased, the responsible entity shall apply to the Central Bank with a proposal to terminate the qualification of the organizations as a financial group, presenting appropriate justifications. Within a 30-day period of receiving the application specified in this Paragraph, the Central Bank Board shall, taking into consideration the likelihood of future emergence of the grounds envisaged by Article 39.15, take a decision on terminating the qualification of such organizations as a group or take a decision on granting a trial period not exceeding one year. During the trial period, the organizations shall continue to be deemed a financial group. After the end of the trial period envisaged by this Paragraph, the Central Bank Board shall take a decision on terminating the qualification of the organizations as a financial group or take a decision on continuing to view those organizations as a financial group. If, after taking the decision specified in Paragraph 1 of this Article on recognizing organizations as a financial group, the grounds envisaged by Article 39.15 of this Law for taking such decision have ceased, and the responsible entity has not applied to the Central Bank with a proposal to terminate the qualification of the organizations as a financial group, the Central Bank may terminate the qualification of the organizations as a group. If the grounds envisaged by Article 39.15 of this Law are present, but in the Central Bank's justified opinion, group risks do not emerge given the structure of the financial group and the specific nature of the relations between members of the financial group, the Central Bank may terminate the qualification of the organizations as a group.

6. If, after qualifying organizations as a financial group, changes take place within the composition of the financial group, the Central Bank Board shall take a decision on changes in the composition of the financial group. The decision specified in this Paragraph may be adopted on the basis of the Central Bank's justified opinion or justifications presented to the Central Bank by the responsible entity.

7. The Central Bank Board shall take decisions on qualifying organizations as a financial group or on changes in the composition of the financial group within a 30-day period of the emergence of the circumstances that serve as a basis for taking such decisions (an application by the Authorized Representative, or discovery of the information necessary for the justified opinion of the Central Bank).

Article 39.17. The Register of Financial Groups

1. The register of financial groups (hereinafter in this Chapter, "Register") is a data system in which information on financial groups is registered.
2. The register shall be compiled by the Central Bank.
3. The register compilation procedure and the list of information to be included in the Register shall be defined by a decision of the Central Bank Board.

Article 39.18. Responsible Entity of the Financial Group

1. If the decision to qualify organizations as a financial group was taken on the basis of the application specified in Paragraph 1 of Article 39.16 of this Law, the decision to qualify the organizations as a financial group shall specify the entity mentioned in the application lodged under Paragraph 1 Article 39.16 of this Law, provided that such entity meets the criteria on responsible entities.
2. If the entity specified in the application lodged under Paragraph 1 of Article 39.16 of this Law does not meet the criteria on responsible entities, or if such application reserved the power of designating the responsible entity for the Central Bank, then the Central Bank shall designate the responsible entity.
3. If the decision to qualify organizations as a financial group was taken on the basis of the Central Bank's justified opinion, then the Central Bank shall, after taking the decision to qualify organizations as a financial group and register such group in the Register, propose to such financial group to select a responsible entity and notify the Central Bank thereof within 15 business days. After receiving the notice specified in this Paragraph, the Central Bank Board shall take a decision on designating the responsible entity of the financial group. If, within 15 business days of receiving the Central Bank's proposal specified in this Paragraph, the financial group fails to select a responsible entity meeting the criteria on responsible entities, then the Central Bank Board shall designate the responsible entity.
4. The criteria on responsible entities shall be defined by normative legal acts of the Central Bank.
5. The Central Bank Board may by decision cancel the designation of a responsible entity (irrespective of whether the responsible entity was appointed on the basis of an application or upon the Central Bank's initiative), if, in its justified opinion, such responsible entity is not or will not be able to carry out the duties placed on responsible entities by this Law.
6. Within 15 business days of taking the decision to cancel the designation of a responsible entity, the financial group shall present to the Central Bank a new nomination of the responsible entity. If a responsible entity is not nominated within the time period envisaged by this Paragraph, or if the nominee does not meet the criteria on responsible entities, a new responsible entity shall be designated by the Central Bank Board within 15 business days.
7. A financial group may apply to the Central Bank for changing the responsible entity, presenting justifications for making changes and about the possibility for the designated responsible entity to perform its duties efficiently. The Central Bank shall review the application

envisaged by this Paragraph and take a decision thereon within 10 working days of lodging such application.

Article 39.19. Information Publication and Provision to the Central Bank by the Financial Group

1. The responsible entity of the financial group shall publish on its official website the information and reports defined by the Central Bank Board on the financial group (on the particular type or category of the financial group).
2. The Central Bank may, upon a frequency determined by it, demand reports and other information stipulated by normative legal acts of the Central Bank on the financial group (on the particular type or category of the financial group) and/or an organization that is a part of the financial group.

Article 39.20. Prudential Economic Standards for the Activities of the Financial Group

1. The Central Bank Board may, for the purpose of containing financial risks, define the following prudential economic standards for financial groups and/or particular types and/or categories of financial groups:
 - 1) minimum amounts of total capital and total capital and core capital adequacy of the financial group (the particular type and category of the financial group);
 - 2) the maximum size (-s) of single borrower risk for the financial group (the particular type and category of the financial group);
 - 3) the maximum size (-s) of risks for intra-group transactions of the financial group (the particular type or category of the financial group): in intra-group transaction is a transaction between organizations within the financial group or between such organizations (or one of them) and entities that are, for purposes of the Republic of Armenia Law on Banks and Banking, related parties to such organizations (or one of them);
 - 4) the maximum size (-s) of risk for all large borrowers of the financial group (the particular type or category of the financial group) that are not members of the group: the criteria for borrowers to be deemed large shall be defined by decision of the Central Bank Board;
 - 5) the liquidity prudential standard (-s);
 - 6) the foreign currency disposition standard (-s);
 - 7) the standard on the maximum single risk for insurance; and
 - 8) the standard on assets adequate to technical reserves.
2. The Central Bank may define, for a particular financial group and/or financial group type and/or category, more rigorous prudential economic standards than those defined for other financial groups and/or financial group types and/or categories, provided that the financial indicators of such financial group and/or financial group type and/or category, in the justified opinion of the Central Bank, have deteriorated or may deteriorate, or if the financial group and/or financial group type and/or category operates in high-risk sectors.

3. The limits, calculation procedure, elements included in the calculation, and calculation frequency of the prudential economic standards specified in Paragraph 1 of this Article shall be defined by the Central Bank Board.

4. The calculation of the prudential economic standards envisaged by this Article shall be presented to the Central Bank by the responsible entity.

Article 39.21. Legal Regulation of the Activities of Financial Groups

1. The Central Bank may propose to an entity, which has significant participation in the statutory capital of a financial organization that is resident in the Republic of Armenia and is a member of a financial group, to alienate (terminate), within a reasonable period determined by agreement between the Central Bank and such entity, such entity's participation in the financial organization, and propose to the financial organization that is resident in the Republic of Armenia and is a member of a financial group, to alienate (terminate) its participation in the statutory capital of such organization, if in the Central Bank's justified opinion, such participation may create risks for the financial group or for the financial organization that is resident in the Republic of Armenia and is a member of a financial group, or may undermine the interests of the customers or consumers of the financial organization that is resident in the Republic of Armenia and is a member of a financial group, or may obstruct effective supervision of the financial group or an organization that is a member of the financial group.

2. If the entity that acquired a significant participation in the statutory capital of a financial organization that is resident in the Republic of Armenia and is a member of a financial group, or a financial organization that is resident in the Republic of Armenia and is a member of a financial group, fails to alienate (terminate) such participation in another organization as per Paragraph 1 of this Article, the Central Bank may deprive such participant of the right to vote upon decision making and reserve such right for the temporary administration body appointed by the Central Bank Board, the criteria and procedure of the appointment of which shall be defined by the Central Bank.

Article 39.22. Responsibility

1. In the event of failure to comply with the requirements stipulated by this Law and other legal acts regulating the activities of financial groups, the financial group shall be held responsible through the responsible entity. The sanctions envisaged by the Republic of Armenia Law on Banks and Banking shall be applied with respect to the financial group.

(this Chapter was supplemented by HO-133-N dated 12.11.15)

CHAPTER 6

THE CURRENCY OF THE REPUBLIC OF ARMENIA

Article 40. The Currency of the Republic of Armenia

1. The currency of the Republic of Armenia is the Armenian dram. One dram shall be equal to 100 loumas. The Armenian dram shall be issued (circulated) as a banknote and coin (including commemorative coin), and the louma shall be issued as a coin (including commemorative coin).
2. Banknotes and coins (including commemorative coins) issued and not withdrawn from circulation in accordance with this Law shall be the unconditional liability of the Central Bank and shall be secured with all of the Central Bank's means.
(Article 40 was amended by HO-44-N dated 25.12.06)

Article 41. Legal Tender

Banknotes and coins (including commemorative coins) issued and not withdrawn from circulation by the Central Bank shall be legal tender against property, proprietary rights, services, and works, and shall be unreservedly accepted at their face value against all liabilities denominated in money in the territory of the Republic of Armenia.
(Article 41 was amended by HO-44-N dated 25.12.06)

Article 42. Authority to Issue and Withdraw from Circulation Banknotes and Coins
(including commemorative coins)
(the title was amended by HO-44-N dated 25.12.06)

1. The Central Bank shall have the authority to issue and to withdraw and remove from circulation banknotes and coins (including commemorative coins) that are legal tender in the Republic of Armenia territory.
2. The Central Bank shall organize and ensure the printing of banknotes and the minting of coins (including commemorative coins), take measures for safekeeping of banknotes and coins (including commemorative coins) available in the Central Bank, and their destruction in the cases envisaged by laws and other legal acts.
(Article 42 was amended by HO-44-N dated 25.12.06)

Article 43. Currency Reserves of the Republic of Armenia and the Issuance Program

The Central Bank shall reflect in its balance sheet and shall manage the reserves of currency of the Republic of Armenia, shall prepare a currency issuance program of the Republic of Armenia, and shall ensure the regular supply of banknotes and coins (including commemorative coins) in view of demand in the economy.
(Article 43 was amended by HO-44-N dated 25.12.06 and HO-313-N dated 13.12.17)

Article 44. Accounting of Issued Banknotes and Coins (including commemorative
coins)
(the title was amended by HO-44-N dated 25.12.06)

The aggregate amount of issued banknotes and coins (including commemorative coins) shall be recorded in the balance sheet of the Central Bank as a liability of the Central Bank. Banknotes and coins (including commemorative coins) in the reserves shall not be a liability of the Central Bank and shall be reflected in off-balance sheet accounts.
(Article 44 was amended by HO-44-N dated 25.12.06)

Article 45. Features of the Armenian Dram

The Central Bank shall define the face value, size, weight, design with pictures and signatures, and protective and solvency features of the banknotes and coins (including commemorative coins) that are legal tender of the Republic of Armenia. The banknotes that are legal tender of the Republic of Armenia shall bear the signatures of the Central Bank Governor and the head of the authorized government agency.

If the image of the banknote of the Republic of Armenia is used on paper for advertising or other purposes, the dimensions (length and width) of the image shall be smaller or larger, by at least 25 percent, than its real dimensions defined by the Central Bank, except when such image is used by the Central Bank.

The images of the front and reverse of the banknote of the Republic of Armenia may be concurrently used for the purposes and in dimensions specified in Paragraph 2 of this Article only if they are on one side of the paper, except when used by the Central Bank.

While shooting films or in theater, circus, and other performances, or during undercover investigations and in other exclusive cases, exceptions may be made to the rules envisaged by Paragraphs 2 and 3 of this Article subject to the permission of the Central Bank. In such cases, immediately after use of the images of the banknote of the Republic of Armenia, they and the materials (files, matrices, print forms, and the like) used for preparing them shall be destroyed in the procedure defined by and under the control of the Central Bank.

Compliance with Paragraphs 2 and 3 of this Article shall be supervised, and sanctions for violating them shall be imposed, by the authorized state government body in accordance with the procedure defined by the Republic of Armenia Law on Advertisement.

(Article 45 was supplemented by HO-73-N dated 11.05.04; amended by HO-44-N dated 25.12.06)

Article 46. Exchanging of Banknotes and Coins (including commemorative coins)
(the title was amended by HO-44-N dated 25.12.06)

1. The Central Bank shall, under the procedure defined by it, exchange at no cost, and without any restrictions of the amount, worn-out and damaged banknotes and coins (including commemorative coins) that correspond to the features of solvency.

2. The Central Bank shall provide no compensation for banknotes and coins (including commemorative coins) that fail to meet the protection and solvency features set by the Central Bank, and they shall be withdrawn from circulation.

- a) to define the procedures and conditions of carrying out currency operations and adopt decisions and rules regulating currency operations;
- b) control and regulate the activities of dealers and brokers, including banks, which carry out currency operations;
- c) set the foreign currency disposition prudential standard for currency dealers and brokers, including banks, investment firms, investment fund managers, and insurers;
- d) define the methods for determining the settlement exchange rate of the Armenian dram; and
- e) exercise other powers stipulated by law and other legal acts.

(Article 49 was supplemented by HO-243 dated 23.10.01, HO-44-N dated 25.12.06, HO-183-N dated 09.04.07, HO-200-N dated 11.10.07, HO-281-N dated 22.12.10, and HO-313-N dated 13.12.17)

Article 50. Reporting on Currency Operations
(the title was amended by HO-243 dated 23.10.01)

- 1. The Central Bank may demand regular reports from entities licensed and supervised by it about the currency operations carried out by such entities.
- 2. The Central Bank shall define the reporting forms on foreign currency operations and the procedure of presenting such reports.

(Article 50 was revised by HO-245-N dated 08.12.05)

Article 51. Currency Operations of the Central Bank

- 1. The Central Bank may possess, use and dispose of:
 - a) coins (including commemorative coins) and standardized bullions made of gold and other precious metals;
 - b) foreign currency; and
 - c) securities issued or guaranteed by other states, central banks and other top banks, international financial organizations, and foreign top banks.
- 2. The Central Bank may define the exchange rate at which it purchases or sells foreign currency or carries out other transactions with foreign currency.

(Article 51 was amended by HO-44-N dated 25.12.06)

Article 52. The International Reserves of the Republic of Armenia

- 1. The Central Bank shall reflect in its balance sheet the international reserves of the Republic of Armenia, which may include the following assets:
 - a) coins (including commemorative coins) and standardized bullions made of gold and other precious metals;
 - b) banknotes and coins (including commemorative coins) denominated in foreign currency, as well as demand and term deposits, deposit certificates in, and repurchase agreements with foreign central banks and foreign top commercial banks;

c) other reserves, including Special Drawing Rights (SDRs) in the International Monetary Fund;
d) forwards, futures, swaps, and other derivatives; and
e) fixed or floating interest rate bonds, assets, and mortgage-backed securities issued by other states, central banks, agencies guaranteed directly or indirectly by states, or international financial organizations.

2. The primary criterion for allocation of reserves shall be the security and liquidity of the allocated resources. The Central Bank shall maintain the international reserves at a level that corresponds to the implementation of the monetary policy and ensures unhindered honoring of the international obligations of the Republic of Armenia.

3. Once a quarter, the Central Bank present to the Government and publicize information on the current situation and composition of the international reserves. If the international reserves of the Republic of Armenia decline or, in the Central Bank's opinion, there is a decline trend to an extent that may jeopardize the implementation of monetary policy or the unhindered honoring of the international obligations of the Republic of Armenia, then the Central Bank shall present ad hoc information to the Government on the international reserves position and the reasons for their decline or potential decline, as well as the measures necessary to remedy the situation, and shall inform the Republic of Armenia Prime Minister and National Assembly Speaker thereof.

(Article 52 was revised and amended by HO-36-N dated 25.12.06; amended by HO-44-N dated 25.12.06 and HO-313-N dated 13.12.17)

Article 53. Foreign Currency Gains and Losses
(this Article was repealed by HO-45-N dated 03.03.04)

CHAPTER 71
MANDATORY GUARANTEEING OF BANK DEPOSITS
(this Chapter was repealed by HO-147-N dated 24.11.04)

CHAPTER 8
ADDITIONAL PROVISIONS

Article 54. Preferential Right of the Central Bank

The Central Bank shall, for fulfilling its claims on a debtor, have preferential right over such debtor's monetary and other resources held in the Central Bank, except when:

- a) at the time of accepting such resources, the Central Bank was or had to be informed that such resources were pledged or were subject to other rights of third parties; or
- a) an agreement concluded with the Central Bank provides otherwise.

Article 55. Taxes, Duties, and Customs Payments

The Central Bank of the Republic of Armenia shall be exempt of taxes and duties. The exemption stipulated by this Article shall not apply to taxes payable to the tax authorities for imports of goods from states deemed members of the Eurasian Economic Union, as well as to taxes, customs duties, and customs payments payable to customs authorities for imports of goods from states not deemed members of the Eurasian Economic Union. Notwithstanding the second sentence in this Article, the Central Bank shall be exempted from taxes, duties, customs duties, and customs payments in case of importing banknotes, coins (including commemorative coins), and bank gold and currency values, irrespective of whether the imported banknotes or coins (including commemorative coins) were in circulation in the Republic of Armenia territory at the time of their importation.

(Article 55 was revised by 25.12.03 HO-49-N; amended and supplemented by 21.12.17 HO-282-N)

Article 56. Other Transactions of the Central Bank

The Central Bank may perform the following transactions:

- a) make investments in the capital of legal entities the activities of which are directly related to the objectives of the Central Bank;
- b) acquire or lease real estate necessary for accomplishing the objectives related to capital;
- c) acquire, possess, use and alienate property and proprietary rights against liabilities towards the Central Bank. The Central Bank shall alienate such property and proprietary rights in the shortest possible timeframe; and
- d) in the procedure defined by the Central Bank, provide loans to the Governor, Deputy Governors, other Board members, and employees of the Central Bank. The Central Bank shall not make grants and donations to organizations.

(Article 56 was amended by HO-243 dated 23.10.01, HO-200-N dated 11.10.07, HO-133-N dated 12.11.15, and HO-313-N dated 13.12.17; supplemented by HO-258-N dated 23.03.18)

Article 57. Appealing the Actions and Decisions of the Central Bank

The Central Bank's normative, internal, and individual legal acts may be appealed in court. The effect of the normative, internal, and individual legal acts of the Central Bank may not be suspended throughout the court examination process.

(Article 57 was revised by HO-243 dated 23.10.01; supplemented and amended by HO-45-N 03.03.04; amended by HO-200-N dated 11.10.07)

Article 58. Restructuring of the Central Bank

The restructuring of the Central Bank shall be carried out by law. Bankruptcy proceedings may not be initiated in relation to the Central Bank.

CHAPTER 9

TRANSITIONAL PROVISIONS

Article 59. Transitional Provisions

1. This Law shall enter into force 60 days after its publication.
2. The Central Bank Governor shall discharge the powers vested in them by this Law until the end of their term in office.
3. The First Deputy Governor of the Central Bank shall discharge the powers vested in the Deputy Governor of the Central Bank by this law until the end of their term in office.
4. The powers of members of the Central Bank Board shall cease from the moment of entry into force of this Law.
5. Within a one-week period of the entry into force of this Law, the President of the Republic of Armenia shall appoint five members of the Central Bank Board.
6. After replenishing the general reserve of the Central Bank under Article 12 of this Law from the profit gained in the 1996 fiscal year, appropriations shall be made in amounts envisaged by Article 11 of this Law for the purpose of replenishing the statutory capital.
After replenishing the general reserve of the Central Bank, if the remaining available balance of the profit does not suffice for replenishing the statutory capital in the amount envisaged by Article 11 of this Law, then, within 30 days of the end of the fiscal year, the Republic of Armenia Government shall, under the procedure defined by law, and as an investment in the capital of the Central Bank, provide the missing amount to the Central Bank in the form of indefinite-term government bonds at a market interest rate. Repayment of such bonds shall be performed from the state budget or under the procedure envisaged by Article 12 of this Law. Prior to full repayment of the bonds, during each fiscal year, before 15 December, the Government of the Republic of Armenia shall pay to the Central Bank the interest accrued on such bonds at the market interest rate of such year.
7. If the Republic of Armenia Law on the 1997 State Budget envisages repayment by means of offsetting interest accrued on loans made to the Government by the Central Bank, the allocation envisaged by Article 12 of this Law shall be performed in an amount equal to the difference between the Central Bank's profit and the amount offset to the state budget.
8. Within two months of the adoption of this Law, the Central Bank shall adopt the normative acts reserved for its authority, which are necessary for applying this Law.
9. Up to the year 1999, the Republic of Armenia laws on the state budget may define a procedure for lending to the Republic of Armenia Government, which is different from the procedure envisaged by Article 34 of this Law.
10. Once this Law enters into force, the 1993 April 27 Republic of Armenia Law on the Central Bank of the Republic of Armenia shall be repealed.
11. Once this Law enters into force, the 1995 February 10 Republic of Armenia Supreme Council Presidency Decision to Approve the By-Laws of the Central Bank of the Republic of Armenia shall be repealed.

12. Once this Law enters into force, the words “Central Bank administration” shall be replaced with the words “Central Bank Board” in the Republic of Armenia Law on the Bankruptcy of Banks.

Article 60.

Clarifications related to the provisions of Article 55 of this Law shall be approved by the State Tax Service by the Government of the Republic of Armenia and the State Customs Committee by the Government of the Republic of Armenia, in agreement with the Republic of Armenia Finance and Economy Ministry and the Republic of Armenia Central Bank.

(Article 60 was supplemented by HO-49-N dated 25.12.03; amended by 21.12.17 HO-282-N)

Republic of Armenia President

L. Ter-Petrosyan

30 June 1996

Yerevan

HO-69