

**THE BOARD OF THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA**

**RESOLUTION**

06/12/2011 No 335 N

**ON APPROVAL OF REGULATION 10/04 “THE PROCEDURE OF CALCULATION OF NET ASSET VALUE OF INVESTMENT FUNDS”**

With the view to ensuring unified procedure for valuation of the assets of investment and pension funds, based on Part 2 of Article 16 of the Law of the Republic of Armenia on Investment Funds, and pursuant to Clause “e” of Article 20 of the Law of the Republic of Armenia on the Central Bank of the Republic of Armenia, and Article 16 of the Law of the Republic of Armenia On Legal Acts, the Board of the Central Bank of the Republic of Armenia hereby decides:

1. To approve Regulation 10/04 “The Procedure of Calculation of Net Asset Value of Investment Funds” as in accordance with the attached Appendix.
2. This resolution shall enter into force on the tenth day after promulgation.

**Chairman of the Central Bank  
of the Republic of Armenia**

**Artur Javadyan**

**REGULATION 10/04**  
**THE PROCEDURE OF CALCULATION OF NET ASSET VALUE**  
**OF INVESTMENT FUNDS**

**DIVISION 1. GENERAL PROVISIONS**

**CHAPTER 1. SCOPE OF APPLICATION**

1. This regulation establishes the procedure of calculation of net asset value of investment funds, including pension funds (hereinafter: fund).

**CHAPTER 2. GENERAL PROVISIONS**

2. The net asset value of a fund shall be determined in accordance with the provisions of the Law of the Republic of Armenia on Investment Funds, this Regulation and fund rules (articles of association).

3. In order to determine the net asset value of a fund the total market value of the assets of the fund shall be determined from which the value of the liabilities assumed by the fund (by the management company on behalf of a contractual fund) in accordance with the Law of the Republic of Armenia on Investment Funds and fund rules (articles of association) shall be deducted.

4. The value of the assets and liabilities of a fund shall be determined in accordance with the International Financial Reporting Standards, unless other provisions are made in this regulation.

5. The income and expenses of a fund shall be recorded on accrual basis.

6. The fund rules (articles of association) for calculation of the net asset value of a fund shall set out, inter alia, the following:

- 1) the list and priority or the procedure for determining the priority of regulated markets, the prices (quotations) determined whereof shall serve as a basis for determination of the market value of securities (in case of a security traded on more than one regulated market);
- 2) a procedure and criteria for selection of a real estate valuator if according to the fund rules (articles of association) immovables may be acquired at the expense of the fund assets;
- 3) the method for determination of the market (fair) value of securities specified in Chapter 5 of this regulation, as well as non-standardized derivative instruments (if more than one method is used, then the priority thereof as well).
- 4) the accounting policy of the fund.

7. The provisions on fund rules (articles of associations), set in sub-points 1 and 3 of point 6 of this regulation are reflected also in the notes on accounting policy of calculation of profit of given fund.

8. If a fund has sub-funds, the net asset value calculation is performed by each sub-fund.

9. The net asset value of a fund and of a unit is rounded up to at least two decimal points, except for mandatory pension funds. The rules of rounding of net asset value of mandatory pension fund and net asset value per unit thereof are set out in Republic of Armenia Central bank board Resolution 156-N of 24, June, 2011 «On Approving Regulation 10/09

“Requirements to Procedure for Issue of Units of Mandatory Pension Funds, Rules for Acquisition of Participation and Redemption of units in Mandatory Pension Fund by the Pension Management Company”.

10. Foreign currencies and assets denominated in a foreign currency shall be reflected in Armenian drams at the latest transaction price with the respective foreign currency in the regulated market as of the day, when the net asset value of the fund is determined (hereinafter: valuation day), and in case of absence thereof restatement shall be made on the basis of the respective reference exchange rate, published by the Central Bank of the Republic of Armenia on the valuation day.
11. The concepts used in this Regulation have the meanings as defined in the Law of the Republic of Armenia on Investment Funds, in the Law of the Republic of Armenia on Funded Pensions and in the Law of the Republic of Armenia on Securities Market.
12. The provisions set out for securities in this regulation covers also securities issued by the fund and derivative instruments, unless otherwise is stated in this regulation.

## **DIVISION 2. VALUATION OF ASSETS OF FUND**

### **CHAPTER 3. VALUATION OF CASH AND BANK DEPOSITS**

13. The value of cash and bank deposits shall be determined on the basis of their nominal value.
14. The interest on deposits that have been calculated on accrual basis but have not yet been received shall be recorded as accrued income as of the valuation day.

### **CHAPTER 4. VALUATION OF SECURITIES TRADED ON A REGULATED MARKET**

15. The value of a security traded on a regulated market shall be determined on the basis of the closing price of the valuation day, unless otherwise is stated in this Regulation.
16. If the closing price specified in point 15 of this Regulation is not available (or does not exist), the value of a security (except for debt securities) traded on a regulated market shall be determined on the basis of the latest known closing price on the day preceding the valuation day, except for the cases specified in point 20 of this Regulation.
17. If the closing price specified in point 15 of this Regulation for a debt security traded on a regulated market is not available (or does not exist), the value of the security shall be determined on the basis of the arithmetic average of the highest bid price and the lowest ask price at the close of the respective market on the valuation day.
18. If the prices specified in points 15 and 17 of this Regulation for a debt security are not available (or do not exist), the security shall be valued at the latest known respective price determined in accordance with the order set out in points 15 and 17 of this Regulation, except for the cases specified in point 20 of this Regulation.
19. In the cases provided for in points 16 and 18 of this Regulation, if there has been any material event, since the date of the last transaction price or of the last known price, with respect to the security or its issuer that may materially affect the price of the security, the management company may respectively adjust the price of the security, determined in accordance with abovementioned points, when establishing the market value of the security.
20. If the prices specified in points 15 to 18 of this Regulation are not available (or do not exist) for none of last 30 business days as of the valuation day, the value of the security traded on a regulated market shall be determined in accordance with Chapter 5 of this Regulation.
21. If a security is traded on several regulated markets, the price shall be taken as a basis, which is determined in the regulated market specified in the fund rules (articles of association) or chosen in accordance with the fund rules (articles of association). Moreover, in cases stipulated in this point, upon valuation of securities the price of the market, where the trade of that security is not possible

or carries expenses that make the trade of securities in that market become economically unsound, in comparison with other markets, cannot be used. The fund rules (articles of association) make provision on prohibition of this point.

#### **CHAPTER 5. VALUATION OF SECURITIES NOT TRADED ON A REGULATED MARKET**

22. The value of a security not traded on a regulated market shall be determined on the basis of the probable sale price which has been determined reasonably, bona fide, using appropriate valuation models generally recognized in the financial market, and if necessary taking into account the discount for reduced liquidity.

#### **CHAPTER 6. VALUATION OF UNITS (SHARES) OF OTHER FUNDS**

23. The value of the units (shares) of other funds shall be determined on the basis of the latest published net asset value as of the valuation day, unless otherwise is stated in this Chapter.

24. If the units (securities) of closed-end or interval fund are admitted to trading in the regulated market, their value is calculated on the basis of following values, which is the latest:

1. last published net asset value of the unit (security) of given fund,
2. last known closing price of the unit (security) of given fund as of the day of valuation.

25. The value of the units (shares) of non-public funds shall be determined in accordance with Chapter 5 of this Regulation.

#### **CHAPTER 7. VALUATION OF DERIVATIVE INSTRUMENTS**

26. The value of a standardized derivative instrument shall be determined in accordance with Chapter 4 of this Regulation.

27. The value of a non-standardized derivative instrument shall be determined in accordance with Chapter 5 of this Regulation.

#### **CHAPTER 8. VALUATION OF REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS**

28. The value of repurchase and reverse repurchase transactions shall be determined in accordance with the International Financial Reporting Standards.

#### **CHAPTER 9. VALUATION OF IMMOVABLES**

29. Upon acquisition of an immovable, the value thereof shall be determined on the basis of the acquisition cost.

30. For the period following its acquisition, the value of an immovable shall be determined based on the last valuation of an independent real estate valuator that complies with the requirements of points 31 and 32 of this Regulation. The value of an immovable shall be adjusted at least once a year no more than 30 working days prior to the end of the year. The value of an immovable shall be adjusted also before selling the imovable, unless the latest valuation of the immovable has been carried out within 30 working days preceding the proposed selling date.

31. The valuation of immovables shall be carried out by a certified real estate valuator.

32. A real estate valuator cannot be a person:

- 1) who is affiliated with the management company.
- 2) who is a manager or employee of the management company or a company belonging to the same group with the management company.
- 3) who is a participant of the fund.

## **CHAPTER 10. VALUATION OF OVERDUE RECEIVABLES**

33. If the issuer does not fulfill its obligations towards debt securities (including redemption, partial redemption, coupon payment), the following percentages shall be subtracted from the value of amounts receivable under such debt securities:

- 1) within 90 days following the scheduled date of payment, 10% accruing daily in equal amounts,
- 2) within 91 to 180 days following the scheduled date of payment, 10% accruing daily in equal amounts,
- 3) within 181 to 270 days following the scheduled date of payment, 30% accruing daily in equal amounts,
- 4) within 271 to 360 days following the scheduled date of payment, 50% accruing daily in equal amounts.

34. The valuation of overdue receivables shall be performed in accordance with point 33 of this Regulation.

## **CHAPTER 11. VALUATION OF ASSETS HELD TO MATURITY**

35. The value of an asset, which has been acquired at the expense of the closed-end fund with an aim of keeping it until maturity, shall be determined in accordance with the International Financial Reporting Standards.

## **CHAPTER 12. VALUATION OF OTHER ASSETS**

36. The market value of receivables not specified in Chapters 3 to 12 of this Regulation shall be determined reasonably, bona fide on the basis of the probably receivable amounts.

## **DIVISION 3. DETERMINATION OF THE NET ASSET VALUE OF A FUND**

### **CHAPTER 13. TOTAL MARKET VALUE OF THE ASSETS OF A FUND**

37. The total market value of the assets of a fund is calculated by adding up the values of the assets determined in accordance with Chapters 3 to 12 of this Regulation.

### **CHAPTER 14. CALCULATION OF THE NET ASSET VALUE OF AN INVESTMENT FUND**

38. To calculate the net asset value of an investment fund (except for a pension fund), the total market value of the fund's assets calculated in accordance with point 37 of this Regulation shall be reduced by the value of the liabilities assumed by the fund (by the management company on behalf of a contractual fund) in accordance with the Law of the Republic of Armenia on Investment Funds and fund rules (articles of association) which are recorded on accrual basis and may include the following:

- 1) management fee.
- 2) depositary fee.
- 3) dividends or other payables to unitholders (shareholders) similar to dividends.
- 4) expenses directly related to transactions with the fund's assets, including service charges, fees, commissions, money transfer charges.
- 5) payables to fund's participants for repurchase (redemption) of securities issued by the fund.
- 6) loans (credits) received on behalf of the fund.

- 7) interest payables related to loans (credits) received on behalf of the fund (including interest on repurchase and reverse repurchase transactions).
- 8) the accrued amount of profit tax (the expenses related to profit tax) calculated according to Chapter 16 of this Regulation as well as other mandatory charges payable from the assets of the fund.
- 9) independent valuator charges in case the legislation requires some assets of the fund be assessed by an independent valuator.
- 10) other liabilities, fees and expenses, directly related to the management and custody of the fund, as stipulated in the law and the fund rules (articles of association) that are not set out in subpoints 1 to 9 of this point.

#### **CHAPTER 15. CALCULATION OF THE NET ASSET VALUE OF A PENSION FUND**

39. To calculate the net asset value of a pension fund, the total market value of the fund's assets calculated in accordance with point 37 of this Regulation shall be reduced by the value of the liabilities assumed by the fund (by the management company on behalf of a contractual fund) in accordance with the Law of the Republic of Armenia on Investment Funds and fund rules (articles of association) which are recorded on accrual basis and may include the following:

- 1) management fee.
- 2) depositary fee.
- 3) payables to other pension funds.
- 4) payables to fund's participants for repurchase (redemption) of securities issued by the fund.
- 5) expenses directly related to transactions with the fund's assets, including service charges, fees, commissions, money transfer charges.
- 6) loans (credits) received on behalf of the fund.
- 7) interest payables related to loans (credits) received on behalf of the fund (including interest on repurchase and reverse repurchase transactions).
- 8) mandatory charges payable from the assets of the fund.
- 9) other liabilities, fees and expenses, directly related to the management and custody of the fund, as stipulated in the law and the fund rules that are not set out in subpoints 1 to 8 of this point.

#### **CHAPTER 16. ACCRUAL OF PROFIT TAX OF THE FUND**

40. Fund's profit tax shall be accrued on the same frequency as the fund's net asset value is calculated.

41. The amount of the profit tax that shall be accrued is calculated by the following formula:

$$PTA_i = NAV_i \times TR / 100$$

where:

$PTA_i$  - the amount of the profit tax that shall be accrued on day  $i$ ,

$NAV_i$  – the net asset value of the fund as of the day  $i$ , calculated for defining the taxable profit, which was calculated in accordance with Chapter 2 of the Board of the Central Bank of the Republic of Armenia resolution No 336-n, dated 06/12/2011 "On approval of regulation 10/14 "On Procedure of Calculation of Net Asset Value for Determining Taxable Profit"".

$TR$  - profit tax rate for investment funds set out in the Law of the Republic of Armenia on Profit Tax (in per cent),