

24/12/2013

No: 309 N

Approving Regulation 10/12 “Items and Maximum Amounts of Costs by the Use of Mandatory Pension Fund Assets”

Amendments adopted under Central Bank Board Resolutions No. 183 N, 15.07.2014, No. 240 N, 09.09.2014 and No. 154 N, 14.07.2015 have been included

Whereas securing an effective, transparent and controlled use of mandatory pension fund assets as well as making sure mandatory pension fund managers are comparable,

By virtue of the Republic of Armenia Law on “Funded Pensions”, Article 40 (1), the Republic of Armenia Law on “Central Bank”, Article 20 (e) and the Republic of Armenia Law on “Legal Acts”, Article 16, the Board of the Central Bank of the Republic of Armenia

enacts:

1. Approve Regulation 10/12 “Items and Maximum Amounts of Costs by the Use of Mandatory Pension Fund Assets” pursuant to the Appendix attached hereto.
2. This resolution shall enter into force on the tenth day following its official publication.

Arthur Javadyan,

Chairman of the Central Bank

Appendix

Approved:

under the Central Bank Board resolution No. 309-N,
dated December 24, 2013

REGULATION 10/12 **Items and Maximum Amounts of Costs by the Use of** **Mandatory Pension Fund Assets**

Chapter 1: Scope of regulation and general provisions

1. This Regulation sets out the breakdown (items) of costs (excluding management fee) and the maximum amount of such costs that can be made at the expense of mandatory pension fund assets.
2. Definitions used in this Regulation carry the same meaning as in the Republic of Armenia Law on "Funded Pensions" and the Republic of Armenia Law on "Investment Funds".

Chapter 2: Allowable costs by the use of mandatory pension fund assets

3. Except for a management fee and regular contributions payable to a guaranty fund, assets of the mandatory pension fund can be used to finance costs related to the management of the fund, as follows:
 - 1) costs directly related to the implementing of assets transactions of the fund, including costs (fees) related to entering into transactions as well as fees for a transfer of cash and securities;
 - 2) interest payable on credit (loan) attracted, interest payable on repurchase and reverse repurchase transactions; and
 - 3) annual fee for external audit of the fund, in accordance with Chapter 3 of this Regulation.

(paragraph 3 supplemented under Board Resolution No. 240 N, dated 09.09.2014)

Chapter 3: Maximum amount of costs made by the use of mandatory pension fund assets

4. The total annual amount of actual costs as referred to in paragraph 3 (1) and (2) of this Regulation shall not exceed:
 - 1) 0.2% of average annual net asset value of the fund, if the fund's average annual net asset value is less than AMD 1 billion;
 - 2) 0.1% of average annual net asset value of the fund, if the fund's average annual net asset value is more than AMD 1 billion.

(paragraph 4 amended under Board Resolution No. 240 N, dated 09.09.2014; edited under Board Resolution No. 154 N, dated 14.07.2015)

4.1. For the context of this Regulation, the fund's average annual net asset value involves the arithmetic mean of net asset value of the fund for any given year, which is determined by the year's grand total of net value of assets divided by the number of net value calculations during the year.

(paragraph 4.1 supplemented under Board Resolution No. 154 N, dated 14.07.2015)

5. The total annual amount of actual costs (including value added tax) as referred to in paragraph 3 (3) this Regulation shall not exceed:

- 1) AMD 12 million, if grand total of net asset value of all mandatory pension funds which are managed by the fund manager and subject to an independent audit is less than AMD 25 billion;
- 2) grand total of AMD 12 million and 0.01 percent of the value exceeding AMD 25 billion, if grand total of net asset value of all mandatory pension funds which are managed by the fund manager and subject to an independent audit is more than AMD 25 billion but less than AMD 50 billion;
- 3) grand total of AMD 14.5 million and 0.005 percent of the value exceeding AMD 50 billion, but not more than AMD 17 million, if grand total of net asset value of all mandatory pension funds which are managed by the fund manager and subject to an independent audit is more than AMD 50 billion.

(paragraph 5 supplemented under Board Resolution No. 240 N, dated 09.09.2014)

6. The maximum value as provided for in paragraph 5 of this Regulation shall be applied to each mandatory pension fund which is managed by the fund manager and subject to an independent audit on a *pro rata* basis, according to net asset value of these funds.

(paragraph 6 supplemented under Board Resolution No. 240 N, dated 09.09.2014)

7. The actual costs as provided for in paragraph 3 (3) of this Regulation shall be accrued to each mandatory pension fund which is managed by the fund manager and subject to an independent audit on a *pro rata* basis, according to net asset value of these funds.

(paragraph 7 supplemented under Board Resolution No. 240 N, dated 09.09.2014)