

***Unofficial translation***

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**CENTRAL BANK OF THE REPUBLIC OF ARMENIA**

**BOARD RESOLUTION**

**27 December 2013 NO. 321-N**

**ON APPROVAL OF REGULATION 10/18 ON “PROCEDURE FOR SELECTING EXTERNAL AUDIT COMPANY FOR INVESTMENT FUND AND ITS MANAGER”**

***With the aim of*** ensuring transparency of the activities of investment funds and their managers, and the reliability of information published by them;

***By virtue of*** the Republic of Armenia Law on “Investment Funds”, Article 96 (paragraph 1 and 2);

***Guided by*** the Article 20 (e) of the Republic of Armenia Law on “The Central Bank of Armenia” and Article 16 of the Republic of Armenia Law on “Legal Acts”, the Board of the Central Bank of Armenia **decides to:**

1. Approve Regulation 10/18 on “Procedure for selecting external audit company for investment fund and its manager”, pursuant to Appendix (attached).
2. Within 3 months after the date of the entry into force of this Resolution, investment fund managers shall adopt internal legal acts in accordance with this Resolution and submit them to the Central Bank of Armenia within 15 business days after their adoption.
3. This Resolution shall apply to the auditing firms conducting audit of financial and economic activity of investment fund managers for the year 2013 and thereafter.
4. This Resolution shall enter into force on the tenth day following the date of its official publication.

**Signed by the Chairman of the Central Bank of RA**

**Arthur Javadyan**

Approved by the CBA Board Resolution

No. 321-N dated December 27, 2013

**PROCEDURE FOR SELECTING EXTERNAL AUDIT COMPANY FOR INVESTMENT FUND  
AND ITS MANAGER**

**REGULATION 10/18**

**CHAPTER 1. SUBJECT MATTER OF THIS REGULATION**

1. This Regulation defines the procedure for selecting external audit company (audit company) for investment fund (including pension fund) and its manager.

**CHAPTER 2. GENERAL PROVISIONS AND KEY TERMS**

2. An investment fund manager shall define by its internal legal acts procedures, detailing and ensuring the practical application of criteria set out in Chapter 3 of this Regulation, methodology of application of those criteria, scope of the audit coverage and other provisions in accordance with the requirements of this Regulation with regard to selection of entities conducting the audit of financial and economic activities of such investment fund manager. The manager is entitled to define other criteria which do not contradict with the criteria set out in Chapter 3 of this Regulation.

3. The terms used in this Regulation shall have the following meaning:

- 1) **Financial company** – a bank, credit organization, insurance company, investment company, investment fund manager;
  - 2) **Responsible auditor of audit company** – an employee of an audit company who signs the audit opinion;
  - 3) **Audit group** - a group of employees of an audit company which is directly involved in conducting the audit of economic and financial activity of the investment fund and its manager.

4. Other terms used in this Regulation shall have the meaning as defined in the Republic of Armenia Law on "Investment Funds".

**CHAPTER 3. CRITERIA FOR SELECTING AN EXTERNAL AUDIT COMPANY**

5. A manager shall select an audit company which satisfies all of the following minimum criteria:

- 1) At least 3 years of experience in auditing. This criterion does not apply to internationally recognized audit companies (i.e. those companies which are full members of any of the top ten audit networks included in the list published on any of the following websites: <http://www.accountancyage.com/static/top50-this-year>, <http://accountants.entrepreneur.com/>, <http://www.vault.com/wps/portal/usa/rankings/landing?rankingId=177&regionId=0>),
  - 2) The responsible auditor of the audit company shall have at least three years of work experience and an experience of auditing of at least three financial companies, and a document (certificate) certifying the successful completion of at least half of the exams (levels) of an international accounting and (or) audit qualification (such as ACCA, CPA, CISA), or an audit qualification awarded by the Association of Accountants and Auditors of Armenia or an authorized body of the Government of the Republic of Armenia.

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- 3) At least half of the employees included in the audit group shall have at least three years of work experience in an audit company, qualification awarded by the Association of Accountants and Auditors of Armenia or an authorized body of the Government of the Republic of Armenia.
  - 4) The audit company, by the contract signed between the audit company and the investment fund manager, shall give its consent to participate in tripartite meeting between the investment fund manager, audit company and the Central Bank upon the invitation of the Central Bank for the purposes of discussion of the external audit results.
6. The same responsible auditor shall not conduct the audit of the financial and economic activity of the same manager, if the responsible auditor has continuously conducted the audit of financial and economic activity of that manager during the three financial years preceding the given financial year.