

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

July 28, 2009

No 226-N

RESOLUTION

**ON APPROVAL OF REGULATION 4/09 ON CRITERIA PRESENTED TO THE PERSON
CONDUCTING AUDIT OF FINANCIAL-ECONOMIC ACTIVITIES OF REPORTING ISSUER**

Having regard to the Republic of Armenia Law “On Securities Market”, Article 128 (2) and being guided by Republic of Armenia Law “On the Central Bank of Armenia”, Article 20 (e) and the Republic of Armenia Law “On Legal Acts”, Article 16 the Board of the Central Bank of Armenia decides:

1. To approve Regulation 4/09 on “Criteria presented to the person conducting audit of financial-economic activities of reporting issuer” pursuant to Appendix (attached).
2. This Resolution shall enter into force from January 1, 2010.

Chairman of the Central Bank

A. Javadyan

August 4, 2009
Yerevan

REGULATION 4/09

ON CRITERIA PRESENTED TO THE PERSON CONDUCTING AUDIT OF FINANCIAL- ECONOMIC ACTIVITIES OF REPORTING ISSUER

CHAPTER 1. GENERAL PROVISIONS

1. This regulation shall define criteria presented to the person conducting audit of financial-economic activities of reporting issuers on the territory of the Republic of Armenia.

2. This regulation shall not apply to banks, branches of foreign banks, investment companies, branches of foreign investment companies, insurance companies, branches of foreign insurance companies regarded as reporting issuers on the territory of the Republic of Armenia, as well as those commercial companies regarded as reporting issuers who were granted ranking "B-" or higher ranking in accordance to the "Ranking order of commercial companies by the Central Bank of Armenia" approved by Central Bank Chairman Resolution No- 1/235L of April 14, 2006 on "Ranking order of commercial companies by the Central Bank of Armenia".

3. Within 3 months upon being regarded as reporting issuer, the reporting issuer shall define by internal legal acts procedure detailing the criteria defined in Chapter 2 of this regulation concerning selection of persons conducting audit of its financial-economic activities and providing their practical application, methodology of application of criteria, areas of audit coverage, as well as other provisions necessary to ensure the implementation of requirements of this regulation and within 15 days upon adoption submit it to the Central Bank. Reporting issuers may define other criteria that do not contradict with those defined in Chapter 2 of this regulation.

4. Terms used in this regulation shall have the following meaning:

- 1) "responsible auditor of audit company" – employee of the audit company signing the auditor's report;
- 2) "audit group" – group of audit company employees that are immediately involved in conducting of audit of financial-economic activities of the insurance company.

CHAPTER 2. SELECTION CRITERIA OF AUDIT COMPANIES

5. Reporting issuer shall select the audit company that meets the following minimum criteria:

- 1) At least 3 years of experience in audit activities. This requirement shall not apply to internationally recognized audit companies (10 best audit companies ranked by profitability included in the list published in the International Accounting Bulletin and posted on <http://firm-rankings.vrl-financial-news.com>),
- 2) The responsible auditor of the audit company shall have at least 3 years of work experience of auditor and a document (certificate) ascertaining the fact of completing at

least half of international accounting and (or) auditing qualification levels (e.g., ACCA, CPA, CISA) or audit qualification granted by Association of Accountants and Auditors of Armenia or by responsible body assigned by the Government of the Republic of Armenia);

- 3) By signing a contract with the reporting issuer, the audit company shall give its consent to participate, by the invitation of the Central Bank, in the trilateral meeting held between the reporting issuer, audit company and the Central Bank to discuss the results of external audit.
6. In case if criteria defined in point 5 of this regulation exist, priority is given to audit company whose density of employees involved in insurance group is bigger (ACCA, CPA, CISA) or audit qualification granted by Association of Accountants and Auditors of Armenia or by responsible body assigned by the Government of the Republic of Armenia).
7. The same responsible auditor cannot conduct audit of the financial-economic activities of the same reporting issuer if during the 3 years preceding the given financial year auditor has uninterruptedly conducted the audit of financial-economic activity of the given reporting issuer.