

**THE REPUBLIC OF ARMENIA
CENTRAL BANK BOARD**

March 25, 2003

N-114-N

**RESOLUTION
ON
APPROVAL OF GUIDELINE ON ACQUISITION OF QUALIFIED OR OTHER
HOLDING IN BANK OR HOLDING POSITION OF MANAGER OF A BANK,
ACQUISITION OF QUALIFIED HOLDING IN INSURANCE COMPANY OR
HOLDING POSITION OF MANAGER IN INSURANCE COMPANY OR
RESPONSIBLE OFFICIAL OF INSURANCE BROKERAGE COMPANY,
ACQUISITION OF QUALIFIED HOLDING IN INVESTMENT COMPANY,
REGULATED MARKET OPERATOR, CENTRAL DEPOSITORY OR HOLDING
POSITION OF MANAGER**

(Title edited by 20.06.06 N269-N, 30.10.11 N 345-N, 15.01.08 N 13-N)

Having regarded to the Republic of Armenia Law “On Banks and Banking Activities” Article 18 (2) (e) and Article 22 (2) (e), the Republic of Armenia Law “On Insurance and Insurance Activities” Article 18(1) point 7, Article 23 (1) point 5, Article 90 (3) point 5, the Republic of Armenia Law “On Securities Market” Article 55(1) point 9, Article 58 (2) point 4, Article 114 (3) point 5, Article 179(1) point 5, Republic of Armenia Law “On Legal Acts” Article 16, guided by Republic of Armenia Law “On the Central Bank of the Republic of Armenia”, Article 20 (e) the Board of the Central Bank *decides*:

(Preamble supplemented by 15.01.08 N13-N)

1. To approve “Guideline on acquisition of qualified or other holding in bank or holding position of manager of a bank, acquisition of qualified holding in insurance company or holding position of manager in insurance company or responsible official of insurance brokerage company, acquisition of qualified holding in investment company, regulated market operator, central depository or holding position of manager” pursuant to Appendix 1 (attached).

(Point 1 edited by 30.10.11 N-345-N, 15.01.08 13-N)

2. To repeal Central Bank Board Resolution N 34 of February 6, 2002 “On approval of guideline on acquisition of qualified holding in bank and holding position of manager”.

Chairman of the Central Bank

T. Sargsyan

March 28, 2003
Yerevan

**GUIDELINE ON ACQUISITION OF QUALIFIED OR OTHER HOLDING IN BANK
OR HOLDING POSITION OF MANAGER OF A BANK, ACQUISITION OF
QUALIFIED HOLDING IN INSURANCE COMPANY OR HOLDING POSITION OF
MANAGER IN INSURANCE COMPANY OR RESPONSIBLE OFFICIAL OF
INSURANCE BROKERAGE COMPANY, ACQUISITION OF QUALIFIED HOLDING
IN INVESTMENT COMPANY, REGULATED MARKET OPERATOR, CENTRAL
DEPOSITORY OR HOLDING POSITION OF MANAGER**

(Title edited by 20.06.06 N269-N, 30.10.11 N 345-N, 15.01.08 N 13-N)

1. Pursuant to Article 18,(2),(e) of the Republic of Armenia Law “On Banks and Banking”, the Central Bank shall reject the application for acquisition of a qualified holding in a bank, if a person or its affiliates have previously committed an action, which justified under this guidelines, arise suspicion in the opinion of the Central Bank that the actions of a person as a member having voting right in decision making process of management body of bank may result in bankruptcy or deterioration of financial situation of the bank, or discredit reputation and good will of the bank.

Pursuant to Article 18, (2) (b) of the Republic of Armenia Law “On Banks and Banking”, the Central Bank shall reject the application for acquisition of other holding in a statutory capital of a bank, if justified under this guidelines in the opinion of the Board of the Central Bank, there are reasons to suspect that the transaction may arise intention of deterioration of financial situation of the bank, or discredit reputation and good will of the bank.

Pursuant to Article 18(1), point 7 of the Republic of Armenia Law “On Insurance and Insurance Activities”, the Central Bank may reject the application for a preliminary consent for acquisition of a qualifying holding in the statutory capital of insurance company, if the party acquiring a qualifying holding or the parties affiliated thereto have previously committed an action which justified under the guidelines approved by the Board of the Central Bank, in the opinion of the Board of the Central Bank gives grounds to suspect that the actions of the actions of a person as a member having voting right in decision making process of management body of the insurance company, may lead to the bankruptcy or deterioration of the financial situation or discredit reputation and good will of the insurance company.

Pursuant to Article 55, part 1, paragraph 9 of the Republic of Armenia law “On Securities Market”, the Central Bank Board may refuse to give consent to acquire qualified holding in the investment company, the operator of regulated market or the Central Depository, if in the past, the entity acquiring qualifying participation (or affiliated parties thereto) has undertaken such a deed (activity or inactivity), which by the reasonable opinion of the Central Bank Board based on the guidelines set forth by regulations of the Central bank, may serve a valid ground to believe that its actions as someone that has the voting right during the decision making of the top management body of the in the investment firm, the operator of regulated market or the Central Depository may lead to bankruptcy of the investment firm, the operator of regulated market or the Central Depository or deterioration of its financial position or compromise its business and professional reputation.

(Point 1 supplemented by 20.06.06 N269-N, 30.10.11 N345-N, 15.01.08 N 13-N)

2. Pursuant to Article 2 (2)(e) of the Republic of Armenia Law “On Banks and Banking”, persons who in the past committed actions, which justified under this guidelines and in reasonable opinion of the Central Bank arise grounds to suspect that the person is unable to manage as a manager respective field of banking activity, or his actions may lead to bankruptcy, deterioration of financial situation of the bank or discredit reputation and good will of the bank, cannot become managers.

Pursuant to Article 2 (1) (5) of the Republic of Armenia Law “On Insurance and Insurance Activities”, position of a manager of Company may be assumed by any capable person who has not committed an action in the past, which in the opinion of the Central Bank justified under guidelines set by regulations of the Central Bank, gives grounds to conclude that the given person, in his capacity of a manager of an insurance company, cannot duly manage the relevant field of the activities of the insurance company or his actions may lead to the bankruptcy or deterioration of the financial situation of the insurance company or discredit reputation and good will thereof.

Pursuant to Article 90 (3)(5) of the Republic of Armenia Law “On Insurance and Insurance Activities”, as a responsible official of an insurance intermediary may be a person who has not committed in the past such an action which, in the opinion of the Central Bank approved by the guidelines set by the Central Bank, arise grounds to suspect that the person concerned cannot, in his capacity as a responsible official of insurance intermediary, adequately manage the relevant field of the activity of the insurance intermediary or his actions may lead to the bankruptcy of insurance company or deterioration of the financial situation or discredit reputation and good will of the company.

Pursuant to Article 58(2)(5) of the Republic of Armenia law “On Securities Market”, persons who in the past committed an action, which in the opinion of the Central Bank justified under the guidelines set forth by regulations of the Central Bank, arise grounds to conclude that the given person, as a manager of the operator of regulated market, is incapable to adequately manage the relevant field of the investment firm’s activity or his actions may lead to bankruptcy of investment company or deterioration of its financial situation or compromise discredit reputation and good will of the company, may not act as manager of investment company.

Pursuant to Article 114(3)(5) of the Republic of Armenia law “On Securities Market”, persons who in the past committed an action which in the opinion of the Central Bank justified under the guidelines set forth by regulations of the Central Bank arise grounds to suspect that the given person, as a manager of the operator, is incapable to adequately manage the relevant field of the operator’s activity or his actions may lead to bankruptcy of the operator of regulated market or deterioration of its financial situation or discredit reputation and good will of the operator.

Pursuant to Article 179(1)(5) of the Republic of Armenia law “On Securities Market”, persons who in the past committed an action which in the opinion of the Central Bank justified under the guidelines set forth by regulations of the Central Bank arise grounds to suspect that the given person, as a manager of the Central Depository, is incapable to adequately manage the relevant field of the Central Depository’s activity or his actions may lead to bankruptcy of the Central Depository or deterioration of its financial situation or discredit reputation and good will of the Central Depository.

(Point 2 amended by 20.06.06 N 269-N, 30. 10.11 N 345-N, supplemented by 15.01.08 N13-N)

3. Within the meaning of the present guidelines, is considered as manager a person specified set by Article 22(1) of the Republic of Armenia law “On Banks and Banking”, Article 21(2) and

Article 90(1) of the Republic of Armenia law “On Insurance and Insurance Activities”, Article 58(1), Article 114(3) and Article 179(1) of the Republic of Armenia law “On Securities Market”.

(Point 3 edited by 20.06.06 269-N, supplemented by 30. 10.11 N 345-N, edited by 15.01.08 N13-N)

4. With the view to applying the Republic of Armenia law “On Banks and Banking”, the Republic of Armenia law “On Insurance and Insurance Activities”, the Republic of Armenia law “On Securities Market” and clauses 1 and 2 of this guideline, it is stipulated that in case if grounds defined by paragraph 5 of this Guidelines exist, issues relating to acquisition of qualified or other holding, or position of a manager in a bank, acquisition of qualified holding or position of a manager in an insurance company, or position of a manager in insurance brokerage firm, acquisition of qualified holding or position of a manager in a investment company, operator of regulated market, or the Central Depository, shall be reviewed at the Republic of Armenian Central Bank Board session, and the results of review may serve as a ground for rejection by the Republic of Armenian Central Bank Board of the applications on acquisition of qualified or other holding, or position of a manager in a bank, acquisition of qualified holding or position of a manager in an insurance company, or position of an manager in insurance brokerage firm, acquisition of qualified holding or position of a manager in an investment company, operator of regulated market, or the Central Depository.

In case if a person has been registered as a manager, pursuant to the “Guidelines on Qualifying as Manager Employees Who are Involved in Core Businesses of Bank, or Work Directly under Direction of Bank Executive Director, or May Influence Decisions of Bank Management Bodies”, and there is any of grounds specified in paragraph 5 of this Guidelines and the Central Bank Board rejected such registration by its resolution, the bank shall deregister the respective person as a manager within 10 days after the Central Bank submits the resolution to the bank, or limit scope of his authorities to a such degree that the person is no more considered as manager pursuant to the guidelines of the Central Bank.

If the Central Bank Board has already once reviewed and approved applications for registration as manager of persons who complied with at least one of the grounds defined by paragraph 5 of these guidelines, new applications of the same persons for registration as manager in the same or other banks shall not be subject to the Central Bank Board review, if after the initial approval of the Central Bank Board, the applicants did not become subject to any of grounds defined by paragraph 5 of these guidelines. Exceptions are the positions of chief executive officer (chairman of the board) and chief accountant of a bank, where each registration application shall be reviewed by the Central Bank Board, if the applying person is subject to any of grounds defined by paragraph 5 of these guidelines.

(Point 4 supplemented by 07.12.04 N 316-N, edited, supplemented by 20.06.06 N 269-N, 30.10.11 N 345-, edited by 15.01.08 N 13-N)

4. The Central Bank Board shall review the issues relating to applications for acquisition of qualified or other holding, or position of a manager in a bank, acquisition of qualified holding or position of a manager in an insurance company, or position of manager in insurance brokerage firm, acquisition of qualified holding or position of a manager in a investment company, operator of regulated market, or the Central Depository of persons who:

5.1. was convicted for crime stipulated by the Republic of Armenia Criminal Code;

5.2. was convicted for crime stipulated by the Criminal Code of other countries;

5.3. worked as a manager or was a qualified shareholder of a bank, insurance company or brokerage insurance firm, investment company, operator of the regulated market or the Central

Depository in the Republic of Armenia and during his term, the bank, insurance company or brokerage insurance firm, investment company, operator of the regulated market or the Central Depository became insolvent, or bankrupt, or, if due to activity or inactivity of such person, financial situation of the bank, insurance company or brokerage insurance firm, investment company, operator of the regulated market or the Central Depository has deteriorated according to criteria established by the Central Bank Board;

(Point 5.3. supplemented by 20.06.06 N 269-N, 30.10.11 N 345-N, supplemented by 15.01.08 N13-N)

5.4. the applicant worked as a senior official or was a qualified shareholder of a bank, financial or credit institution of other country and during his term, the bank, financial or credit institution became insolvent, or bankrupt, due to activity or inactivity of such person;

5.5. the applicant worked as a senior official or was a qualified shareholder of an organization registered in the Republic of Armenia or foreign country and during his term, the organization became insolvent, or bankrupt, due to activity or inactivity of such person;

5.6. the applicant was involved in proceedings of law machinery of the other countries as a suspect, defendant, or plaintiff;

5.7. the applicant or its affiliates has outstanding (overdue) liabilities to a bank or other financial organization of the Republic of Armenia;

(Point 5.3 changed by 30.10.11 N345-N)

5.8. the applicant was derived of qualification certificate subject to any of provisions of Article 64, part 1 of the Republic of Armenia law “On Banks and Banking”, Article 148, part 1 of the Republic of Armenia law “On Insurance and Insurance Activities”, Article 51 of the Republic of Armenia law “On Securities Market”;

(Point 5.4. supplemented by 30.10.11 N 345-N, 15.01.08 N 13-N)

5.9. the applicant was held responsible subject to any of provisions of Article 63, part 5 of the Republic of Armenia law “On Banks and Banking” for more than 3 times in 1 year;

5.10 the applicant worked as a manager of bank, insurance company or brokerage insurance firm, investment company, operator of the regulated market or the Central Depository and during his term, subject to Article 64, part 1 of the Republic of Armenia law “On Banks and Banking”, Article 148, part 1 of the Republic of Armenia law “On Insurance and Insurance Activities”, Article 51 of the Republic of Armenia law “On Securities Market”:

a) intentionally violated laws and other legal acts;

b) conducted unjustified and dangerous activity during his/her office term, have hindered the Central Bank, the activities of its employees in the execution of supervision;

c) carried out such activities, as a result of which the bank has undergone or may undergo significant financial or other losses;

d) has undertaken actions evolving from his/her personal interests which are in conflict with the interests of the bank or its customers;

e) discharged his/her responsibilities in a dishonest and negligent manner, including the trusteeship obligations assumed towards the bank and bank’s customers;

f) failed to observe directive, or neglected precaution of the Central Bank;

(Point 5.10. supplemented by 30.10.11 N 345-N, 15.01.08 N 13-N)

5.11. due to acquisition of other holding in the bank, decrease or full alienation of the share of a qualified holder may compromise or negatively affect bank’s reputation or goodwill;

(Point 5.11. supplemented by 20.06.06 N269-N, 30.10.11 N 345-N, edited by 15.01.08 N 13-N)

5.12 due to acquisition of other holding in the bank, decrease or full alienation of the share of a qualified holder may negatively affect principles and quality of bank's corporate management;

(Point 5.12. supplemented by 20.06.06 N269-N, 30.10.11 N 345-N, 15.01.08 N 13-N)

5.13. the transaction for acquisition of qualified or other holding in bank, or prior consent to such transaction issued in writing is deemed suspicious in terms of the Republic of Armenia Law "On Combating Money Laundering and Terrorism Financing".

(Point 5.13 supplemented by 20.06.06 N269-N)

6. The Central Bank shall request from the applicants for acquisition of qualified or other holding, or position of a manager in a bank, acquisition of qualified holding or position of a manager in an insurance company, or position of a responsible official in insurance brokerage company, acquisition of qualified holding or position of a manager in an investment company, operator of regulated market, or the Central Depository, a declaration, which states that the applicant is not subject to any of grounds provided in paragraph 5 of these guidelines.

(Point 6 supplemented by 20.06.06 N269-N, 30.10.11 N 345-N, 15.01.08 N 13-N)