

**THE GOVERNMENT OF THE REPUBLIC OF ARMENIA**

**RESOLUTION**

July 28, 2011, N 1190-N

**On Determining Quantitative And Foreign Currency Restrictions On Investments In  
Financial Instruments For Voluntary Pension Fund's Assets**

Taking as a basis Part 1 of Article 72 of the RA Law “On Funded Pensions”, the Government of the Republic of Armenia *resolves*:

1. To determine quantitative and foreign currency restrictions on investments in financial instruments for voluntary pension fund's assets, in compliance with the Annex.
2. This Resolution shall enter into force on the tenth day following its official publication.

**Prime Minister of the Republic of Armenia T. Sargsyan**

August 23, 2011  
Yerevan

**Annex to the GRA Resolution N 1190-N,  
Dated July 28, 2011**

**On Determining Quantitative And Foreign Currency Restrictions On Investments In  
Financial Instruments For Voluntary Pension Fund's Assets**

1. These restrictions are established to ensure diversification in the investments of the voluntary pension fund assets and to minimize the risks.
2. The concepts used in this document have the same meaning as applied in the RA Law "On Funded Pensions." Within the scope of this document, the states stipulated by clause 3, Article 71 of the RA law "On Funded Pensions" are considered as foreign states.

**Currency Restrictions On Investment Of Assets Of Voluntary Pension Fund In  
Financial Instruments**

3. The maximum amount of investments in foreign currency at the expense of the voluntary pension fund assets shall not exceed 50% of the total assets of the voluntary pension fund.
4. The maximum amount of investments in one specific foreign currency at the expense of the voluntary pension fund assets shall not exceed 15% of the total assets of the given voluntary pension fund.

**Quantity Restrictions On Investment Of Assets Of Voluntary Pension Fund In  
Financial Instruments**

5. The managers of voluntary pension funds, abiding by clauses 3 and 4 of these restrictions, can make investments mentioned in Article 71 of the RA Law "On Funded Pensions" only in the following maximum amounts:

1) Total volume of investments in bank accounts and deposits (including the securities certifying the funds deposited in banks) shall not exceed 50% of the overall assets of the given voluntary pension fund. Moreover, the investments in one bank, or in affiliated banks, which are deemed to be such under the RA Law "On Banks and Banking Activities", shall not exceed 5% of the assets of given voluntary pension fund;

2) Total volume of investments in securities issued by or fully guaranteed by the Republic of Armenia, the Central Bank of the Republic of Armenia, a foreign state, or the central bank of that state, shall not exceed 60% of the assets of the given voluntary pension fund, and if those investments make over 30% or more of the given voluntary pension fund assets, then those should be invested in at least 3 different issues (tranches), and the value of investments in each issue (tranche) should not exceed 20% of the fund assets;

3) Total amount of investments in securities issued or fully guaranteed by the local self-governing authorities of the Republic of Armenia, the local governments of foreign states shall not exceed 30% of the assets of the given voluntary pension fund;

4) According to the RA Law "On Asset Securitization and Asset-Backed Securities", investment funds can invest only in mortgage-backed securities issued by securitization funds. The mentioned investments shall not exceed 5% of the given voluntary pension fund assets. The total volume of investments in covered mortgage bonds, that are issued by banks, other credit organizations, registered in the Republic of Armenia and being supervised by the CBA, in compliance with the RA Law "On Covered Mortgage Bonds", shall not exceed 30% of the given voluntary pension fund assets. The limitations set for the total volume of investments in

covered mortgage bonds are also applied to the debt securities issued by foreign banks, where authorized the funds generated from the allocation of those debt securities are invested in those assets, which:

- a. serve as sufficient collateral (coverage) in terms of fulfillment of incurred liabilities for the validity period of those debt securities, and
- b. in the event of issuer bank's insolvency or bankruptcy, are primarily used for fulfillment of liabilities to the owners of those debt securities (disbursement of the principal amount of security (nominal value) and accrued interests).

5) the investments in the equity securities admitted to trading on a regulated market, which is registered and supervised by the authorized body, supervising the capital market of the Republic of Armenia, foreign state, shall not exceed 60% of the given voluntary pension fund assets;

6) The investments by one voluntary pension fund in the securities of one issuer and in the securities of its affiliated issuer shall not exceed 10% of the total volume of securities issued by that issuer and its affiliated issuers for shares, and for bonds - 60%;

7) The investments in the securities issued by investment funds shall not exceed 25% of the given voluntary pension fund assets. Moreover, the investments in securities issued by investment funds cannot exceed 5% of the voluntary pension fund assets, if these are not:

- a. an open-end, public, diversified investment fund, registered in the Republic of Armenia;
- b. an open-end and public investment fund, registered and supervised by the body authorized for supervision of the capital market in foreign state, according to which rules (charter) at least 90% of the investment fund assets should be invested only in bank deposits, government bonds, securities admitted or being admitted to trading on regulated market or in any other liquid assets, defined so by the RA Law "On Investment Funds";

8) The investments in the same investment fund or in the investment fund managed by the same fund manager, or in the investment funds of affiliated managers (as deemed so in accordance with the RA Law "On Securities Market", Article 3, part 36) should not exceed 20% of the given voluntary pension fund assets;

9) the maximum amount of investments in securities of one issuer, which are made from assets of voluntary pension funds, managed by the same fund manager, cannot exceed 10% of the assets of the voluntary pension funds managed by given fund manager, and the maximum amount of investments in the securities of affiliated issuers from the assets of the voluntary pension funds, managed by the same fund manager, cannot exceed 15% of the assets of the voluntary pension funds, managed by the same fund manager, unless otherwise stipulated by this Annex.

6. The investments in the same foreign state should not exceed 20% of the given voluntary pension fund assets.

7. When investments are in foreign states, then the securities involved in the pension fund assets should meet the following requirements:

1) the credit ratings of debt securities should not be lower than Standard & Poor's "BBB", Moody's Investors Service "Baa3" or Fitch Ratings "BBB-", except for the securities mentioned in sub-clause 2 of clause 5 of this Annex;

2) the investments in securities with credit ratings as stated in sub-clause 2 of clause 5 of this Annex shall not exceed 25% of the assets of the given voluntary pension fund;

3) the investments in securities without credit ratings as stated in sub-clause 2 of clause 5 of this Annex shall not exceed 10% of the assets of the given voluntary pension fund.

8. The total value of the securities, including covered mortgage bonds issued by one entity involved in fund assets, and of the derivative instruments signed with the given entity shall not exceed 25% of the total value of fund assets.

9. The total volume of investments in equity securities and securities issued by investment funds mentioned in clause 5 of this Annex shall not exceed 60% of the given voluntary pension fund assets. In terms of this clause, the equity securities and investment fund units do not include the securities of those investment funds, according to which rules (charter) the fund assets can be invested only in bank deposits, debt securities or in derivative instruments for hedging purposes.

10. The derivative instruments acquired for hedging purposes are included in the limitations stipulated by clauses 3-7 of this Annex, and the volume of one transaction concluded for a derivative instrument with one entity cannot exceed 10%, if the counterparty of the transaction with the fund is a bank, and 5%, if the counterparty of the transaction with the fund is another financial institution. The overall volume of the risks incurred due to all derivative instruments included in the voluntary pension fund assets shall not exceed total value of the fund assets.

11. The total market value of the assets of the portfolio of the pension fund shall be taken as the basis for calculating quantitative and foreign currency restrictions for investments of voluntary pension fund assets in financial instruments.

12. The quantitative restrictions stipulated under this Annex shall apply 6 months later after making the first pension contribution to the given voluntary pension fund, managed by the manager of voluntary pension fund, who was granted the permission of managing voluntary pension fund in compliance with Article 52 of the RA Law “On Investment Funds”.

**Head of Administration of the Government  
of the Republic of Armenia**

**D. Sargsyan**