

OFFICIAL CLARIFICATION

February 22, 2022, No. 1

ON THE PROVISION OF INVESTMENT SERVICES BY FOREIGN FINANCIAL INSTITUTIONS

The Central Bank of Armenia (hereinafter also referred to as the “Central Bank”) has repeatedly and in different contexts received inquiries regarding in which cases the provision of investment services by foreign financial institutions to RA-resident individuals or legal entities is considered the provision of investment services within the territory of the Republic of Armenia, and, accordingly, in which cases such services are subject to the October 11, 2017 HO-195-N Law of the Republic of Armenia on the Securities Market (hereinafter also referred to as the “Law”).

Taking into account the importance, for the regular functioning and development of the securities market, of having the rules applicable to market participants be as clear and predictable as possible, the Board of the Central Bank has decided, at its own initiative, to clarify the above-mentioned issue, with reference to the terms of Articles 1, 25, 26, and 27 of the Law.

Articles 25 and 26 of the Law define investment and non-core services, while Article 27 stipulates that, with the exception of cases specified in Articles 30 and 31 of the Law, investment services and the non-core services listed in points 1, 2, 5, and 6 of Article 26 can be provided only by investment service providers, meaning investment companies licensed or registered in the Republic of Armenia, local branches of foreign investment companies, investment fund management companies, local branches of foreign investment fund management companies, and banks.

At the same time, part 2 of Article 1 of the Law states that the Law regulates ***relations arising from the implementation of activities in the securities market of the Republic of Armenia***. It follows from this provision that the Law does not apply to any transaction or activity carried out outside of the RA securities market. The problem is that it is not clear in which cases the provision of investment services by foreign financial institutions to RA-resident individuals or legal entities would be considered ***activities in the securities market of the Republic of Armenia***. In order for any transaction or activity to be considered carried out on the RA securities market, there must be a sufficient connection between the transaction or activity, on the one hand, and the RA securities market, on the other. In our opinion, the mere fact that an investment service is provided to an RA resident is not a sufficient basis for asserting that there is a sufficient connection between

the service or the transaction and the RA securities market; certain additional elements are needed to reach such a conclusion. In particular, the provision of investment services by a foreign financial institution to an RA-resident individual or legal entity is not an activity on the RA securities market, in the following circumstances:

- 1) Investment services provided by a foreign financial institution to RA-resident individuals or legal entities are not subject to the provisions of the Law on the Securities Market if the offer of investment services by the foreign financial institution is not presented in the form of a public offer (including through advertising carried out via various information and telecommunication platforms, such as on television, radio, the internet, or other mass media, as well as in any other way), the content of which makes it clear that the offer is targeted toward RA residents;
- 2) Investment services provided by a foreign financial institution to RA-resident individuals or legal entities are not subject to the provisions of the Law on the Securities Market if the individual offer (or one directed toward a certain group) presented by the foreign financial institution regarding their services to RA residents does not indicate that the institution intends to gradually disseminate information about its services to a wide audience of RA residents and to regularly provide such services to many RA residents;
- 3) Investment services provided by a foreign financial institution to RA-resident individuals or legal entities are not subject to the provisions of the Law on the Securities Market if the offer of investment services by the foreign financial institution is made or the services are provided at the initiative of the RA resident, regardless of the type or frequency of service rendered thereafter.

Considering the above and taking as a basis part 5 of Article 42 of the Law on Regulatory Legal Acts, the Board of the Central Bank of Armenia

Makes the following Official Clarification:

1. Investment services provided by a foreign financial institution to RA-resident individuals or legal entities are not subject to the provisions of the October 11, 2007 HO-195-N Law on the Securities Market, if the services are carried out in compliance with the following conditions:

- 1) The offer of investment services by the foreign financial institution is not presented in the form of a public offer (including through advertising carried out via various information and telecommunication platforms, such as on television, radio, the internet, or other mass media, as well as in any other way), the content of which makes it clear that the offer is targeted toward RA residents.

- 2) The individual offer (or one directed toward a certain group) presented by the foreign financial institution regarding their services to RA residents does not indicate that the institution intends to gradually disseminate information about its services to a wide audience of RA residents and to regularly provide such services to many RA residents.
2. The provisions of the Law on the Securities Market additionally do not apply to investment services provided by foreign financial institutions to RA-resident individuals or legal entities when the offer of investment services is made or the services are provided at the initiative of the RA resident, regardless of the type or frequency of services provided thereafter.

**Governor of the Central Bank of Armenia
Galstyan**

Martin

February 25, 2022
Yerevan