

**LAW OF THE REPUBLIC OF ARMENIA
ON CREDIT ORGANIZATIONS**

(Adopted on May 29, 2005)

Article 5. State Registration and Licensing of a Credit Organization

1. For state registration and licensing of a credit organization the founders shall submit to the Central Bank

a) an application for registration and licensing;

b) six copies of the charter of the credit organization approved by the founder's meeting;

c) the resolution of the founders' meeting of the credit organization on the appointment of the management of the organization;

d) a reference on the background/experience of the management prepared in the manner defined by the Central Bank;

e) a statement by participants with significant interest in the statutory fund of the credit organization prepared in the manner defined by the Central Bank about the absence of grounds prescribed by Clause 2 of Article 10 of this law;

f) rules for the activity of the credit organization that have been approved by the senior management that include the type, scope, and policies for activity, methods and procedures for taking and allocating funds, procedures and other provisions prescribed by the Central Bank and conform to the legislation of the Republic of Armenia. The Central Bank may establish master rules and regulations for different types (groups) of credit organizations on the basis of legal normative acts approved by it as per different types of activities.

2. Upon receipt of the documents and information specified in Clause 1 of this Article the Central Bank shall register and license a credit organization or reject the registration and licensing within a one month period. A credit organization shall be registered and licensed if the following requirements are met:

a) the statutory fund of the credit organization has been fully paid; this should be paid either to the Central Bank or to the cumulative account opened with another bank operating in the Republic of Armenia;

b) the location of the credit organization meets with technical requirements defined by normative legal acts of the Central Bank;

c) managers of the credit organization meet the qualifications and professional aptitude criteria required by the Central Bank;

d) persons with a significant interest in the statutory fund of a credit organization have obtained the consent of the Central Bank.

3. Upon registration, within three days' from the adoption of the decision on registration, the Central Bank shall issue a registration certificate and license for the credit organization and shall notify the State Registry of the Republic of Armenia so that the latter makes the relevant record about the registration of the credit organization.

4. Upon registration in the Central Bank the credit organization shall acquire the status of a legal entity and shall be deemed licensed.

5. The Central bank shall decline the registration and licensing of a credit organization if

a) false and unreliable information was submitted;

b) documents submitted were deficient, incomplete or contradicted the laws and other legal acts of the Republic of Armenia;

c) the credit organization did not meet the requirements set out in Clause 2 of this Article.

6. In the event an application for registration and licensing is not declined officially within one month, a credit organization shall be deemed registered and licensed.

7. Legal entities that conducted operations of a credit organization as their main activity before this law came into effect may apply to the Central Bank for being re-registered as a credit organization within three months following the term specified in Article 23 of this law, in the manner defined by this law

8. The Central Bank shall re-register and license these legal entities if the requirements and terms set out in Article 5 of this law except for Sub-clause a) of Clause 2 of Article 5 are met. No fees or duties shall be charged for re-registration prescribed by this Article.

Article 6. License of a Credit Organization

1. The license for a credit organization shall be provided by the Central Bank for an unlimited period of time.

2. The license of a credit organization may not be given to other persons for use, may not be sold, assigned or pledged.

3. A credit organization license shall have a license number, date of issue, the full corporate name and the state registration number of the credit organization, and shall set out the permitted operations. A uniform format of the license for financial credit organizations shall be defined by the Central Bank.

4. The Central Bank shall maintain a registration book for licenses granted, which shall be public. The format of the license registry book, the maintenance procedure for the book and the information contained in it shall be established by the Central Bank.

Article 7. Registration of Branches and Representative Offices

1. A credit organization may establish branches and representative offices in the territory of the Republic of Armenia and foreign countries in the manner set by this Law and the normative legal acts of the Central Bank; these may start operation upon their registration in the Central Bank. Branches and representative offices of credit organizations may be established in foreign countries in conformity with the laws of the host country and (or) international contracts of the Republic of Armenia.

2. The procedure for the registration of branches and representative offices, and the information and the list of documents required for registration shall be defined by the normative legal acts of the Central Bank.

3. An application for registration of a branch or representative office shall be accepted or declined by the Central Bank Board within a one-month term. In case the application is accepted the Central Bank shall register the branch or the representative office and issue a registration certificate. In the event of declining the application the Central Bank shall advise the credit organization about the bases for rejection within five days.

4. The Central Bank shall decline an application for registration of a branch or representative office if

a) false and unreliable information was submitted;

b) the documents submitted were deficient, incomplete or contradicted the laws and other legal acts of the Republic of Armenia;

c) the credit organization did not comply with any one of the main prudential standards applicable to it at the moment of applying or during the review of the application.

5. The Central Bank shall withdraw the registration of a credit organization

- a) upon the request of the credit organization within a week after the request was made;
- b) if the credit organization is liquidated.

Article 9. Managers of Credit Organizations, Their Professional Criteria and Qualifications Procedure

1. The managers of credit organizations are the Chairman of the Board of the credit organization (board of directors or observers), his/her deputy and Members of the Board, the Executive Director, his/her deputy, the Chairman of the Operating Committee, his/her deputy, Members of the Operating Committee, Chief Accountant, his/her deputy, the Chairman of the Audit Committee, his/her deputy and Members of Audit committee.

2. The following may not be managers of a credit organization:

- a) people who have been convicted of an intentional crime;
- b) people who have been deprived of the right to hold positions in financial, banking, tax, customs, commercial, economic, and legal sectors by a court decision ,
- c) people who have been recognized as bankrupt and having outstanding (non forgiven) liabilities,
- d) persons, whose qualification and professional knowledge do not meet the professional and qualification criteria defined by the Central Bank,
- e) persons, who are involved as suspects or defendants in a criminal case,
- f) persons, who have been recognized as incapable or have limited capability in the manner defined by the legislation of the Republic of Armenia

3. The criteria and procedure for qualifications, professional aptitude of managers of credit organizations (except for division level management) shall be defined by the Central Bank.

4. Upon registration in the Central Bank a person may work as a manager of a credit organization. To be registered in the Central Bank the person should have the qualification for a credit organization manager and a certificate of professional aptitude. Registration prescribed herein shall be performed (by the Central Bank) within 5 days of applying.

Article 10. Limitations to Acquiring a Significant Interest in the Statutory Fund of Credit Organizations

1. A person or affiliated persons thereto may acquire a significant interest in the statutory fund of a credit organization as a result of one or several transactions, only upon the prior consent of the Central Bank.

As per this law and the normative legal acts adopted by the Central Bank on the basis of this law a significant interest shall be considered a participation by which the interest of the relevant participant in the statutory fund of a credit organization exceeds 10% of the statutory fund.

The list and format of documents and information to be submitted to the Central Bank by a person or affiliated persons with the motion of the credit organization for acquiring the prior consent of the Central Bank for the acquisition of a significant interest in the statutory fund of a credit organization shall be defined by the Central Bank.

Upon receipt of all the documents and information required by this Clause and other normative acts of the Central Bank, the Central Bank shall review them within a one month period. The period of one month required for the clarification of certain facts required by the Central Bank may be suspended by the decision of the Board of the Central Bank but no longer than for three months

In the event an application is not declined by the Central Bank within one month or the person is not advised of the suspension of the one month period, the consent shall be deemed given.

2. The Central Bank shall decline an application by notifying the applicant within ten days' period upon making the decision on declining the application if:

- a) the person has been convicted of an intentional crime;
- b) the person has been recognized as incapable or as having limited capability in the manner defined by the legislation of the Republic of Armenia;
- c) the person has been deprived of the right to hold positions in the financial, banking, tax, customs, commercial, economic, legal sectors by a legally effective verdict;
- d) the person has been recognized as bankrupt, and has outstanding (non forgiven) liabilities;
- e) the relevant transaction is targeted at or is leading to or may bring about the restriction of free economic competition;
- f) the documents - presented to the Central Bank did not conform to the format and procedure defined by the Central Bank, or the documents presented or information therein reflected false or unreliable information;
- g) in the informed opinion of the Central Bank the funds to be paid into the statutory fund of the credit organization or funds to be received for disposing of an interest were obtained criminally or illegally.

Without the prior consent of the Central Bank a contract on the acquisition of a significant interest in the statutory fund of a credit organization shall be annulled.

Article 13. Supervision of Credit Organizations Activity

1. The Central Bank shall have the exclusive right to supervise the activity of credit organizations. The Central Bank shall conduct the supervision of credit organizations as set out in procedures established by the Central Bank.

2. Central Bank staff shall conduct examinations in credit organizations under the procedures, within terms, in instances and at the frequency determined by the Central Bank.

Article 18. Legal Violations

The Central Bank may apply sanctions against credit organizations in the following cases:

a) a credit organization has violated laws and other legal acts in conducting its financial operations;

b) a credit organization has not complied with the prudential standards established for credit organizations;

c) the manner and terms for disclosing the balance sheet, financial statements and other reports have been violated and (or) these documents contained false data;

d) a credit organization has failed to carry out the directive of the Central Bank stipulated by sub-clause a) in Clause 1 of Article 19 of this law.

Article 19. Sanctions for Legal Violations

1. In cases stipulated by Article 15 hereby the Central Bank may apply one of the following sanctions against a credit organization:

a) warning and a directive to rectify the violations;

b) penalty;

c) revoking the qualification certificate of the head of the credit organization;

d) canceling the license.

2. Subject to resolution by the Central Bank penalties may be applied to the executive head and chief accountant of a credit organization as additional sanctions in an amount not exceeding a thousand times the minimum salary.

3. The application of the sanctions stipulated by this Article shall not imply any release of obligations of a credit organization defined by laws, other legal acts or contracts.

4. The sanctions in this Article in respect of a credit organization shall be applied in accordance with the bases, limitations, cases and manner defined in the Law of the Republic of Armenia On Banks and Banking. In addition to these bases, the license of a credit organization may be cancelled if false data were presented during its registration and licensing.

5. The license of a credit organization is canceled by the decision of the Central Bank Board. The said resolution shall become effective upon being announced in the mass media.