

**REPUBLIC OF ARMENIA LAW
ON GAMES OF CHANCE AND CASINOS**

(The Law has been adopted on December 13, 2003)

Article 4: Organizers of Game of Chance and Casino

Commercial companies registered in the Republic of Armenia shall be allowed to perform game of chance and casino operations in the Republic of Armenia on the basis of the respective license granted by the Authorized Body.

Article 4.1: Requirements with Respect to Substantial Shareholders, Stakeholders or Participants of Organizers of Games of Chance and Casino, Their Beneficial Owners, Persons Holding Managerial Positions and Their Related Persons

1. A natural person cannot be an Organizer's substantial shareholder, stakeholder or participant, or its beneficial owner, or their related person, if that person:
 - 1) Has criminal record for deliberately committed crime, and the respective conviction has not been expunged or cancelled;
 - 2) Has been deprived by a court verdict, legally entered into force, of the right to hold positions in financial, commercial, economic, and legal areas;
 - 3) Has been recognized as bankrupt and has outstanding (non-forgiven) liabilities;
 - 4) Has previously caused the bankruptcy of a casino, organizer of games of chance, or other entity;
 - 5) Has not presented sufficient and comprehensive justification (documents, information etc) on the sources of invested funds;
 - 6) Has been the shareholder of a legal entity, whose license for organizing a game of chance or casino has been terminated within the past three years as a responsibility measure.
2. A legal entity cannot be an Organizer's substantial shareholder, stakeholder or participant, or their related person, if that entity:
 - 1) Has a substantial shareholder, stakeholder or participant or a director non-compliant with the conditions and requirements as defined under Part 1 of this Article;
 - 2) Undergoes a bankruptcy proceeding;
 - 3) Has previously had operations, which caused the bankruptcy of a casino, organizer of games of chance, or other entity;
 - 4) Has had its license for organizing a game of chance or casino terminated within the past three years as a responsibility measure;
 - 5) Has not presented sufficient and comprehensive justification (documents, information etc) on the sources of invested funds.

3. Persons specified under Clauses 1 to 4 of Part 1 of this Article, as well as those who have a related person specified under the said Clauses cannot hold managerial positions with an Organizer.

(Article 4.1 has been amended by HO-122-N of June 21, 2014)

Article 4.2: Related Persons

1. For the purposes of this Law, legal entities shall be considered as related, if:
 - 1) A legal entity holds, with voting power, 20 or more percent of the voting shares (stocks, equity interests) of another entity, or has the capacity to predetermine the decisions of the other entity by virtue of its shareholding or due to a contract concluded between these legal entities;
 - 2) (A) participant(s) (shareholder(s)) or his (their) family members, who hold(s) more than 20 percent of the voting shares of an entity or has (have) the capacity to predetermine its decisions in a manner not prohibited by law, is (are) entitled to hold, directly or indirectly (including on the basis of purchase and sell, trust management, joint venture, assignment contracts or other dealings), more than 20 percent of the voting shares of the other entity or has (have) the capacity to predetermine its decisions in a manner not prohibited by law;
 - 3) One third of the members of governing bodies or the persons performing such duties with an entity, or of their family members, also act as members of governing bodies or the persons performing such duties with the other entity;
 - 4) They have acted in concert based on common economic interests.
2. Natural persons shall be considered as related, if they are members of the same family, or have common household, or run joint business activity, or have acted in concert based on common economic interests.
3. Natural persons and legal entities shall be considered as related, if they have acted in concert based on common economic interests, or if the natural person or any member of his family:
 - 1) Holds more than 20 percent of shares of the legal entity;
 - 2) Has the capacity to predetermine the decisions of the legal entity in a manner not prohibited by law;
 - 3) Is the chairman of the board, a deputy chairman of the board, a board member, the executive director, a deputy executive director, the chairman of the board of directors, a member of the board of directors, the chief accountant, a deputy chief accountant, the head of internal audit division, a member of the internal audit division, the chairman of the control committee, a member of the control committee or a member of any other similar bodies.

(Article 4.2 has been amended by HO-122-N of June 21, 2014)

Article 4.3: Acquisition of Substantial Shareholding in Statutory Capital of Organizer and Holding Managerial Positions with Organizer

1. A person or related persons may acquire, thorough one or several transactions, a substantial shareholding in the statutory capital of an Organizer only upon being tested by the Authorized Body for the absence of the restrictions specified under Article 4.1 of this Law, based on the positive resolution of the Authorized Body.
2. Within three months after being appointed to a managerial position, a person shall be obliged to pass the test by the Authorized Body for the absence of the restrictions specified under Article 4.1 of this Law and to obtain the positive resolution of the Authorized Body.
3. In order to pass the test stipulated in Parts 1 and 2 of this Article, a person shall submit to the Authorized Body, through the intermediation of the Organizer, information and documents in the manner and form established by the Government of the Republic of Armenia.
4. The Authorized Body shall examine the complete set of the documents as required by this Article, within one month after receiving them. The positive resolution shall be considered to be given, if, within one month, a negative resolution is not provided, or the period for the compliance test stipulated in Parts 1 and 2 of this Article is not prolonged.
The period specified under this Part may be prolonged for one month by the decision of the Authorized Body, if submitted documents contain data needing further examination. The decision on such prolongation shall be duly communicated to the Organizer.
5. As a result of the test stipulated in Parts 1 and 2 of this Article, the Authorized Body shall provide a negative resolution if the reasons specified under Article 4.1 of this Law are present, or if the Authorized Body has reasonable suspicions that the funds to be invested in the statutory capital constitute proceeds of criminal activity.

The decision on refusal specified under this Part may be appealed judicially.

(Article 4.3 has been amended by HO-122-N of June 21, 2014)

Article 8: Licensing of Game of Chance and Casino Operations

1. Licensing of game of chance and casino operations shall be carried out as prescribed by the Republic of Armenia Law on Licensing, this Law and other legal statutes.
 - 1.1. The license for organizing a game of chance or casino shall be issued within 23 business days upon duly submission of the application to the Authorized Body.
The term established under this Part may be prolonged for another 23 business days, if documents submitted along with the application contain data needing further examination. The decision on such prolongation shall be duly communicated to the applicant.
2. An application for licensing shall be rejected if:
 - a) The documents attached to the application do not comply with the requirements of the laws or other legal statutes, or contain false information;

- b) The applicant has overdue liabilities for tax and other mandatory payments prescribed by the law;
 - c) The regulation on organizing and conducting a game of chance contradicts the laws or other legal statutes of the Republic of Armenia, or articulates conditions conflicting with the interests of the players or contradicting the requirements of Part 1 of Article 7 or the rules defined on the basis of Part 5;
 - c.1) The shareholder is a person specified under Article 4.1 of this Law, or the examination stipulated under Article 4.3 arises reasonable suspicions that invested funds may be proceeds of criminal activity;
 - d) There are other circumstances stipulated by the law.
3. In case of a positive resolution regarding the application for licensing, the license shall be provided to the applicant upon the first annual payment of the state duty and in any case not later than within one month after the submission of the document certifying the payment.
 4. Where, in case of adopting a resolution on conditional granting of license, the information on remedying the inconsistencies or the receipt on the first annual payment of the state duty are filed with the Authorized Body after the expiration of the one-month period, then the Authorized Body shall, as a condition for granting the license, request the Organizer to submit a statement verifying that, within the period passed, the documents attached to the application for licensing have not become legally void in the meaning of the compliance with the requirements of this Law and other legal statutes.
 5. If the above statement is not submitted, or if the applicant advises that any of the documents attached to the application has become legally void and fails to submit a substituting document, the Authorized Body shall reject the application for licensing.
 6. The license for organizing a game of chance shall not entitle organization of a live game of chance. Casino license shall entitle organization of any game of chance within the same gaming hall in compliance with the requirements of this Law.
 7. Organization of internet games of chance shall be subject to licensing as prescribed by the Republic of Armenia Law on Licensing, through a simplified procedure. The requirements of this Law (except for the requirement set out in Part 3 of Article 6 of this Law regarding direct organization of internet games of chance directly (through gaming halls)) shall not apply to the organization of internet games of chance. The state duty for organization of internet games of chance shall be subject to collection (payment) in the manner and amount stipulated by the Republic of Armenia Law on State Duty.

(Article 8 has been amended by HO-22-N of December 25, 2006; changed by HO-231-N of December 6, 2012; and amended by HO-122-N of June 21, 2014)

Article 9: Supervision of Games of Chance and Casino Operations

1. The Authorized Body shall supervise a game of chance and casino organizer operations by means of on-site inspections or off-site surveillance, and shall apply responsibility measures as prescribed by Article 11 of this Law in case of uncovering violations of the requirements of this Law.

The Authorized Body shall exercise supervision over compliance of organizers of games of chance and casino with the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and the legal statutes adopted on the basis thereof, by means of on-site inspections or off-site surveillance and, in case of uncovering non-compliance or inadequate compliance due to such supervision, shall apply responsibility measures as prescribed by the law.

2. Inspection of operations of games of chance and casino shall be conducted in accordance with the law.
3. Off-site surveillance shall be carried out by means of examining the information (reports) submitted by Organizers on their operations to the Authorized Body as prescribed by Article 10 of this Law.

(Article 9 has been amended by HO-122-N of June 21, 2014)

Article 11: Responsibility Measures Applied for Violations of this Law

In case of violations of this Law, the Authorized Body shall apply the following responsibility measures with regard to the Organizer:

- a) Warning and assignment to eliminate the violations;
- b) Fine;
- c) Suspension of the license;
- d) Termination of the license.

(...)

The responsibility measure for the violation of the requirement specified under Clause 'b2', Part 2 of Article 6 of this Law shall be applied in accordance with the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing.

(Article 11 has been amended by HO-80-N of May 23, 2006; changed and amended by HO-122-N of June 21, 2014)

Article 13: Fine

1. Fines shall be imposed and collected by the Authorized Body. Where the Organizer disagrees with the decision of the Authorized Body to impose a fine, the Authorized Body shall apply to the court for the collection of the fine.
2. Fines as a responsibility measure shall be applied, if:

(...)

b.1) The requirement established under Clause 'm', Part 2 of Article 6 of this Law has been violated – 2 million drams for each case of violation.

(...)

3. If, within two years after application of the fine as prescribed by Part 2 of this Article, the violation underlying the penalty still remains or is committed anew, the amount of the fine shall be increased by one million drams.
4. The Authorized Body may appeal to the court for imposing a fine on the managers of the Organizer, not exceeding the amount of one hundred thousand drams, for late filing of information (reports) or submission of inaccurate data therein.

(Article 13 has been amended by HO-80-N of May 23, 2006; changed and amended by HO-122-N of June 21, 2014)

Article 14: Suspension of License

5. The Authority Body shall suspend the license, if:
 - a) The Organizer has violated the requirements set out in Articles 4.1 and 4.3; Clauses 'a', 'h', or 'l', Part 2 of Article 6 of this Law;
 - b) The Organizer has overdue liabilities for tax and other mandatory payments prescribed by the law;
 - c) There are other circumstances stipulated by the law.

Where the requirements of Clauses 'a' and 'b' of Part 1 of this Article are violated, the license shall be suspended until the cause of the violation is eliminated. For violations of the requirements of Clause 'c' of Part 1 of this Article, the license shall be suspended for the period stipulated by the respective law.

Suspension of the license shall be carried out as prescribed by the Republic of Armenia Law on Licensing.

(Article 14 has been changed by HO-122-N of June 21, 2014)