

THE LAW OF THE REPUBLIC OF ARMENIA
ON
INVESTMENT FUNDS

(Adopted on December 22,2010)

Article 3. Main Concepts Used in this Law

1. For the purpose of this Law the following concepts shall mean:

- 1) **Investment fund:** a legal entity or a pool of assets formed under the fund management contracts or similar contracts under the Civil Code of the Republic of Armenia, which has been established and/or operates (is used) for the purposes of or primarily aimed at collectively investing funds collected from investors in securities and/or other assets under the unified investment policy, ensuring return of those funds in the form of capital increase, dividends and/or other types of returns, in proportion to the share of their investments made in the legal entity's capital (asset pool) and depending on the investments management results, irrespective of the fact, whether this legal entity (asset pool) is characterized as an "investment fund" in its statutory documents or its offer documents or whether or not the defined investment objective and/or activity has been implemented by the legal entity (asset pool manager) or (hereinafter the fund). The CBA, by a normative legal act, may define criteria for the assessment of the activity stipulated in this paragraph as the (main) purpose of the establishment or operation of the entity (pool of assets). Moreover, the definition of the investment fund shall not include the following:
- a. A Bank, an insurance company, an investment company, an investment fund manager, a credit organization and a securitization fund;
 - b. Deposit Guarantee Fund established in accordance with the procedure defined in the Law of the Republic of Armenia "On Guaranteeing Bank Deposits of Natural Persons";
 - c. Organizations making investments under the programs implemented by the Government or under the international agreements;
 - d. The group, holding or a similar person the main activity of which is production of goods and provision of services (but not investments in real estate), and who's investments in securities is mainly made for predetermining or affecting the decisions made by the management bodies of the issuer of those securities. The CBA, by a normative legal act, may define the criteria detailing the provisions stipulated in this subparagraph.

2) **Public fund:** a fund, which is not considered a non-public fund;

3) **Non-public fund:** a fund, the securities issued by which, in accordance with its charter (rules) cannot be underwritten through a public offering, including through an offering made to an exclusively indefinite number of qualified investors;

(...)

9) **Corporate fund:** a fund having the status of a legal entity the assets of which are collected solely through distribution of shares or other equity securities (hereinafter shares);

Article 4. Status and Types of Funds

1. The fund (including the non-public fund) may be established and engaged in activities stipulated by this Law solely from the moment of the fund's (rules) registration with the Central Bank, pursuant to the procedure provided for by this Law.

2. The fund (including non-public fund) may be established with the status of a contractual or corporate fund.

3. By their investment policy, funds may be organized as a standard or a specialized fund.

4. As of the issuance of shares and redemption thereof, funds may have an organizational structure of an open-end, a close-end or an interim fund.

5. A mandatory pension fund may only have the structure of an open-end fund.

6. The fund shall not implement activities not stipulated for funds by this Law.

Article 10. Contractual and Corporate Funds

(...)

6. A corporate fund may be only presented in the organizational- legal form of a joint stock company with fixed or floating capital, and in case of hedge funds, private unit funds, including venture funds - also in the form of trust partnerships.

7. The corporate fund manager concludes fund management transactions on behalf and at the expense of the given fund. The Manager of a trust association shall bear equal subsidiary responsibility for the liabilities of the fund.

Article 21. Establishment of the Fund

1. The fund shall be deemed established or created upon registration of the fund (for corporate funds) or its rules (for contractual fund) with the CBA in accordance with the procedure provided for by this Law.

2. To register the fund (fund rules) with the CBA the fund founder (founders) or its Manager (for contractual fund, its Manager) shall submit the following documents to the CBA in the manner and procedure defined by the CBA normative legal acts:

- 1) Application for registration of the fund (the fund rules);
- 2) Decision of the founder(s) meeting on establishment of the fund (in the case of a contractual fund);
- 3) Decision of the board of directors of the fund manager on establishing (except for the cases when a corporate fund is established not by the initiative of the fund manager) and managing the given fund ;
- 4) Draft fund charter (rules) in six copies;
- 5) Board of directors decision of the fund manager on approving the fund rules (for contractual fund);
- 6) Draft contract on fund management submitted by the Manager and approved in the founder`s general meeting (by the founder) (for corporate funds);
- 7) Draft contract on custody of the fund signed between the Manager and the custodian (for contractual funds) or submitted by the custodian and approved in the founder`s general meeting (by the decision of the founder) (for corporate funds);
- 8) Decision of the founder (founder`s general meeting) (for corporate funds) or the fund general meeting (for close-end contractual funds, the rules of which do not provide that no fund meeting shall be convened in the given fund) on approval (contractual fund manager`s board of directors respective decision on approval) of the draft fund charter (rules) and the custody contract;
- 9) Prospectus of the fund (except for qualified investor funds and an open-end fund);
- 10) Receipt for payment of state duty;

11) Other documents required by the normative legal acts of the CBA.

3. The CBA may request additional information or documents required to verify the authenticity of documents specified under clause 2 of this article.

4. The Board of the Central Bank of Armenia shall take a decision on registration of the fund (the fund rules) given that all necessary information and documents stated under clauses 2 and 3 of this article were submitted in a proper way and there are no grounds for denial of registration of the fund rules stipulated by this Law.

5. The CBA Board shall render the decision on registration of the fund (the fund rules) or its denial within 30 business days (for qualified investor fund, 10 business days) after the Manager's submission of the petition stated in clause 2 of this article.

6. The CBA shall within five business days upon rendering the decision on registration of the corporate fund submit the registration certificate to the person who submitted the petition. The registration certificate form specified in this clause shall be defined by the CBA normative legal acts.

7. The CBA shall within 5 business days from the moment of rendering the decision on registration of the fund (the fund rules) duly notify the state authority dealing with registration of legal entities for the latter to make relevant records on registration of the fund (the fund rules).

8. The corporate fund obtains the status of a legal entity as of the moment of its registration with the CBA.

Article 22. Grounds for rejecting the registration of funds (fund rules)

1. The CBA Board shall decide to reject the registration of the fund (the fund rules) if:

1) The submitted documents are incompliant with this Law, legal acts adopted there under, or constitute false documents, or contain inadequate information, or imperfections which have not been amended by the applicant within the period set forth by Article 111, clause 1 in this Law.

2) Management contract fails to comply with the requirements set forth by this Law and legal acts adopted there under (for corporate funds).

3) The draft custody contract and/or prospectus do not comply with the requirements set forth by this Law and legal acts adopted there under.

4) The fund charter (rules) falls short of the requirements of the law and other legal acts there under and/or fails to represent interests of the fund participants.

2. No content check of the draft fund charter (rules), fund management contract and custody contract shall be required for registration of qualified investor fund (fund rules).

Article 49. Corporate Fund Management

1. The annual meeting of the supreme management body of the corporate fund (with the exception of the funds with organizational-legal status of a trust association) shall be the fund's general meeting. Powers exclusively exercised by the fund's general meeting include:

- 1) Election of the representative for the fund participants in the Manager's board of directors and early termination of the authorities, except for the cases when such a representative is not elected pursuant to the fund charter;
- 2) Election of members of the audit committee and early termination of authorities thereof;
- 3) Appointment of the independent auditor;
- 4) Formation of the counting panel and adoption of the procedure for conducting the general meeting;
- 5) Decision making regarding amendments of the custody and management contracts of the fund and termination thereof, as well as approval of the custody and fund management contracts by a new custodian and manager, respectively.
- 6) Approval of amendments and/or supplements to the charter of the fund.
- 7) Approval of decisions on reorganization and liquidation of the fund, as well as appointment of the liquidation commission and approval of interim and liquidation balance sheets.

2. The decision making power regarding the issues as stated in clause 1 of this Article shall not be transferred to the Manager.

3. The fund's general meeting may exercise powers that are not stipulated by clause 1 of this Article under the charter of the corporate fund, including the right to approve separate decisions of the Manager rendered in accordance with this Law.

4. Provisions of the Law of the Republic of Armenia "On Joint Stock Companies" pertaining to general shareholder meeting shall apply to preparation, conducting and decision making of the fund's general meeting, as well as other relationships thereto, unless otherwise regulated by this Law.

5. A corporate fund shall have no board of directors. Exclusive authorities of the general shareholder meeting or board of directors (observer board) stipulated by the Law of the

Republic of Armenia “On Joint Stock Companies”, which are not conferred on the fund’s general meeting under this Law and/or the charter of the fund shall be exercised by the Manager’s board of directors as its exclusive authority.

6. Executive management of a corporate fund, as well as management of the fund assets shall be conveyed to a person licensed to exercise the fund management. In addition, powers/duties prescribed under this clause shall be carried out by the Manager on behalf of the fund, irrespective of the fact as to whether such powers are vested by this Law to the fund or directly to the Manager.

7. The management of funds with organizational- legal form of a trust association shall be exercised by a person who holds the license for fund management under a full partnership.

Article 53. The Fund Management License

1. The fund management license (hereinafter license) shall constitute the document verifying the permission of the CBA to engage in fund management activities issued in accordance with the provisions of this Law and normative legal acts based thereon. It shall be prohibited to engage in fund management activities without holding a respective license (in case of pension fund management, also without additional permission) and offer fund management services or represent oneself as engaged in such activities..

2. The license or rights conferred thereby shall not be pledged, conveyed or otherwise alienated.

3. The license shall be issued for an indefinite period of time.

4. The license shall include the number and date of issue, complete firm name of the Manager (complete name of foreign manager and that of a branch established in the territory of the Republic of Armenia) and the registration number.

5. The uniform format of the license shall be defined by the CBA.

6. The license shall be issued or revoked by the CBA Board decision. The license shall be revoked exclusively based on grounds and procedures stipulated by this Law. The provisions of this Law shall prevail over provisions of other RA laws on revocation of the license.

7. The Manager shall, upon loss of the license or where it becomes worthless for use, immediately, but no later than within three business days, notify the CBA. A duplicate of the license shall be provided to the Manager within a period of 10 days upon submission of the relevant request.

Article 54. Registration and Licensing of the Manager

1. Registration and licensing procedure of the Manager shall be stipulated exclusively by this Law and the normative legal acts of the CBA adopted there under. In case provisions referring to Manager licensing are prescribed by other RA laws, the provisions of this Law shall prevail.
2. For registration and licensing of the Manager in accordance with the form and procedure prescribed by the CBA normative legal acts, fund founders shall submit to the CBA the following:
 - 1) Petition for registration and license issuance;
 - 2) Petition for obtaining a permit for rendering service (services) under clause 3 or/and 4 or 4 and 5 of Article 52 of this Law, (provided the Manager will also provide the relevant service (services));
 - 3) Business plan of the Manager,
 - 4) The Manager`s charter in 6 copies approved by the Manager`s founding meeting,
 - 5) List of the Manager`s founders and information thereon defined by the CBA;
 - 6) Decision of the Manager`s founding meeting on appointment of its heads;
 - 7) Information on the Manager`s heads, samples of signatures certified by the notary procedure of heads, copies of their professional qualification certificates;
 - 8) Petition for obtaining prior agreement of persons having significant (qualified) participation in the Manager`s capital appended with the documents required by this Law and the normative legal acts adopted by the CBA;
 - 9) Drafts of internal rules and regulations (hereinafter rules of activities) regulating the operations of the management and employees of the Manager;
 - 10) Document certifying the payment of the Manager statutory capital in the CBA or any of the banks operating in the territory of the Republic of Armenia not affiliated with the Manager;
 - 11) List of employees implementing fund management activities in the staff team of the Manager or on its behalf and copies of documents certifying their professional qualification;
 - 12) Statement on compliance of the Manager`s office premises with criteria defined by the CBA;
 - 13) Receipt for state duty payment;
 - 14) Other documents stipulated by the Law of the Republic of Armenia "On Funded Pensions" (if the Manager shall perform management of pension funds);
 - 15) Other documents defined by the CBA normative legal acts;
3. The CBA may require additional information and documents, which may be necessary to evaluate the authenticity of documents and information prescribed by clause 2 of this Law.

4. The CBA normative legal acts may define exceptions for submitting some documents and information as prescribed by clause 2 of this Law anticipated for non-resident qualified participants and heads of foreign managers established in the territory of the Republic of Armenia, if a facility of submitting such documents or information is restricted pursuant to the legislation of the given country, or they are not applicable for the given person.

5. In order to get a permit for rendering service (services) prescribed by clauses 3 and/or 4 or and 5 of Article 52 of this Law, pursuant to the form and procedure defined by the normative legal acts of the CBA, the acting Manager shall submit to the CBA the following;

- 1) Petition for obtaining a permit to render relevant service (services);
- 2) Amendments made in the Charter, Operational Rules and Business Plan of the Manager;
- 3) Other documents specified in the Law of the Republic of Armenia "On Funded Pensions" (if the Petition refers to pension fund management);
- 4) Other documents defined by the normative legal acts of the CBA.

Article 55. Decision on Manager Registration and Issuance of License thereto

1. The CBA adopts a decision on the Manager's registration and issuance of license and permit for rendering service (services) thereto as stipulated by clause 3 and/or 4 or 4 and 5 of Article 52 of this Law, if all necessary documents and information anticipated by clauses 2 and 3 (5) of Article 54 have been submitted and there are no grounds prescribed by this Law to reject the Manager's registration and issuance of the license (permit for rendering relevant service (services)). The availability of grounds to reject the petition for issuing a permit for rendering relevant service (services) enclosed with the petition on registration and licensing of the Manager shall not be taken as a reason for rejecting the petition on registration and licensing of the Manager.

2. The CBA shall adopt the decision on Manager's registration and license issuance (as well as to satisfy the petition on permit for rendering the service (services) prescribed by clause 3 and/or 4 or 4 and 5, Article 52 of this Law appended to the petition for registration and license issuance) or on denying the registration and license issuance (as well as to satisfy the petition on a permit for rendering relevant service (services) prescribed by clauses 4 and/or 4 or 4 and 5, Article 52 of this Law within 30 business days after such petition by the Manager founders is filed. The CBA shall take a decision on issuing a permit to the acting Manager for rendering service (services) prescribed by clauses 3 and/or 4 or 4 and 5, Article 52 of this Law or denying the issuance thereof within 20 business days after receiving the petition for permit.

3. The CBA shall hand over the registration certificate and license to the acting Manager within 5 business days after adopting the decision on registration and license issuance. The form of registration certificate prescribed by this clause shall be approved by the CBA normative legal acts.

4. The CBA shall notify the state body authorized to conduct registration of legal entities for the latter to make relevant records about the Manager's registration within 5 business days after adopting a decision on Manager registration.

5. The Manager shall obtain a legal entity status after registration with the CBA.

Article 56. Grounds for Rejecting Manager's Registration and Licensing

1. The CBA shall reject the Manager's registration and licensing and/or obtaining a permit for rendering service (services) prescribed by clauses 3 and/or 4 or 4 and 5, Article 52 of this Law, if:

1) Submitted documents do not comply with the Law, normative legal acts adopted on the basis thereof or false documents have been submitted, or there are inadequate data in the submitted documents, or there are imperfections in the submitted documents and those imperfections have not been eliminated by the person having filed the petition within the period stated by clause 1 of Article 111 of this Law.

2) The heads of the Manager do not meet the requirements submitted to the heads in compliance with the CBA normative legal acts;

3) The Manager does not meet the requirements of activity implementation defined by this Law and other legal acts;

4) The Charter of the Manager and/or activity rules is in conflict with the law.

5) The CBA has rejected at least one of the petitions for prior agreement to obtain substantial participation in the Manager's capital;

6) The submitted business plan does not comply with the requirements prescribed by this Law and the CBA normative legal acts adopted on the basis thereof;

7) Based on the CBA substantiated opinion, the business plan is not realistic or, in the event of acting in compliance with the plan, the Manager may not implement fund management natural activities and provide requested services on a regular bases;

8) According to the CBA substantiated opinion, the activity of the Manager founders or affiliated persons, financial status, bad reputation or lack of experience in financial sector may jeopardize the interests of customers or impede the regular implementation of fund management or hinder the CBA proper supervision;

9) Minimum amount of statutory capital prescribed by this Law has not been paid;

10) The Manager does not have necessary premises and/or technical capacity for complying with the requirements prescribed by the CBA normative legal acts.

11) Other grounds (for rendering permission for pension fund management) for rejection as specified in the Law of the Republic of Armenia “On Funded Pensions” are present.

Article 59. Revocation of the License (permit) and its Legal Consequences

1. License (permit for providing service(s) specified in clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law) may be announced void, if

1) The Manager has not been engaged in fund management activity (failed to provide respective services) (management activity refers to pension fund management activity as well), within 12 months on an ongoing basis, after obtaining the license (the permit for providing service (services) specified in clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law). Moreover, in the meaning of this Clause the fund management activities shall entail the activities of the pension fund management;

2) While applying for a license (including a license for a permit to provide service (services) specified in clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law), the Manager has disclosed or submitted to the CBA misleading, inaccurate information or false documents;

3) The Manager or the heads thereof have made regular (two and more) violations of the requirements of this Law, other RA laws, other normative legal acts adopted on the basis of this Law;

4) The Manager has engaged in activity not anticipated by Article 52 of this Law;

5) The Manager has engaged in such activity that jeopardized the interests of investors in the CBA’s substantiated opinion;

6) The Manager has failed to implement the instructions given by the CBA in accordance with this Law within the defined period and size;

7) Prudential economic standards defined by this Law and the normative legal acts adopted by the CBA there under have been infringed to the extent as defined by the CBA normative legal acts;

8) In cases of self-liquidation, acceding to another Manager, bankruptcy;

9) Other grounds stipulated by the Law of the Republic of Armenia “On Funded Pensions” for revoking permit for pension fund management are available.

2. Foreign Manager branch license established in Armenia shall be declared null and void, when foreign Manager is deprived from the right of carrying out fund management activities in the country of its registration or main activity.

3. The permit for providing service (services) specified in clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law may be announced null and void on the basis of the Manager’s petition, provided that legal interests of Manager’s customers (pension fund participants) are sufficiently protected.

4. The Manager’s permit for mandatory or voluntary pension fund management may be considered void only if the Manager, after receiving the prior consent of the CBA Board for revoking the permit, transferred to some other Manager (Managers) the management of all the mandatory (voluntary) pension funds previously managed by him/her in accordance with the procedure set forth in this law or unilaterally rejected the contracts for management of those funds. The procedure for granting the CBA prior consent specified in this clause is defined by a CBA normative legal act.

5. The CBA may reject the petition specified under clause 3 of this article, if there are sufficient grounds to conclude that revocation of the permit for rendering the service (services) stated in clause 3 and/or 4 or clauses 4 and 5 of Article 52 of this Law may endanger the legal interests of Manager’s customers (pension fund participants), and in case of a petition on revocation of permit for mandatory or voluntary pension fund manager, also, if there is a mandatory or voluntary pension fund under the management of the Manager, the management of which has not been transferred to another Manager or when the management contract for the given fund has not been terminated yet.

6. The CBA shall, within 30 business days after receiving the petition specified in clause 3 of this article, as well as the respective documents and information containing the grounds for revoking respective permits defined by a normative legal act of the CBA, make a decision on revoking the permit for a service (services) specified under clauses 3 and/or 4, or 4 and 5 of Article 52 of this Law or rejecting the petition.

7. Based on the grounds defined by this Law, the CBA decision on announcing the permit for a service (services) specified under clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law null and void shall be immediately promulgated. The stated decision becomes effective as of the moment of its promulgation, unless other dates are stated in the decision.

8. After the CBA decision on announcing the license null and void enters into force, the Manager shall be revoked from its right of activity and shall be subject to liquidation (except when acceding to another Manager) in a manner defined by the Law.

9. After the permit for rendering service (services) specified under clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law is announced null and void the Manager shall no longer have the right to provide the respective service (services), with the exception of those transactions which are related to fulfillment of obligations undertaken by the Manager in relation with provision of the given service, liquidation of funds, and their final distribution.

10. In case the license (permit for rendering service (services) specified in clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law) is announced null and void it (the decision on granting the respective permit) shall be returned to the CBA within a 3-day period.

11. After the adoption of a decision on recognizing the license (permit for rendering service (services) specified under clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law) null and void, the copy thereof shall be provided to the Manager within a 3-day period, and when a permit of a mandatory pension fund manager is announced null and void, also to the register of participants as established by the Law of the Republic of Armenia "On Funded Pensions".
Appealing of the aforementioned decision shall not suspend the force of the latter during the whole judicial examination of the case.

Article 60. Registration of the Branch and Representative Office of Manager Operating in the Territory of the Republic of Armenia and Branch and Representative Office of Foreign Manager Established in the Territory of the Republic of Armenia and Establishing of a Branch or a Representative office Outside the Territory of the Republic of Armenia by the Manager Operating in the Territory of the Republic of Armenia

1. A foreign manager may engage in fund management activity of a fund operating in the RA territory solely by creating a subsidiary or a branch in the RA territory.

2. Respective provisions of the Law of the Republic of Armenia "On Securities Market" on investment companies shall be applied to regulate the relations regarding receipt of the CBA prior consent for registration or rejection of registration of a manager operating in the territory of RA or a foreign manager's branch or representative office operating in the RA territory, as well as for establishing by the manager operating in the RA territory of branches and representative office outside the territory of the Republic of Armenia.

Article 62. Acquisition of a Substantial Participation in Manager's Statutory Capital

Relationships pertaining to acquisition of a substantial participation in the statutory capital of the Manager are regulated by the respective norms of acquisition of qualifying participation in the statutory fund of an investment company of the Law of the Republic of Armenia "On Securities Market".

Article 65. Requirements to the Managers of the Fund, to the Persons Managing Fund Activities on Behalf of or in a Team with the Manager'

1. Chairman of the Manager's board and its members, CEO or head of executive body, deputy CEO, chief accountant and his deputy, head of internal audit and members, as well as heads of territorial and structural subdivisions shall be deemed as heads of the Manager.

2. The Head of Manager may not be and may not manage the fund activity on behalf of or in a team with the Manager, as well as may not make a proposal on such activity to a person, who:

1) Has been recognized as incapacitated or with partial capacity in accordance with the procedure defined by law,

2) Has no relevant professional qualification defined by this Law,

3) Has an ongoing conviction for a deliberately committed crime,

4) Is prohibited from holding a position in financial, economic and legal sectors according to an effective court verdict.

5) Is recognized bankrupt or has outstanding liabilities.

6) Has been professionally disqualified by this law or the RA Law on Securities Market in the past but not earlier than three years ago.

7) Has taken such an action (action or inaction) in the past, which shall be a ground substantiated by a guideline defined by the CBA normative legal acts for making a conclusion that the given person cannot properly manage the relevant sector of the Manager activity as a head of the Manager or act on behalf of or in a team with in such respect, or his actions may cause the Manager's bankruptcy or deterioration of financial state or otherwise cause harm to its business reputation.

3. The Manager's board chairman or a member may not at the same time act as a member of executive body of the given manager, as well as board chairman or member, executive body member or other employee with other Manager, with the exception of cases when one of the managers is a subsidiary of the other.
4. CEO or head and members of executive body, deputy CEO, chief accountant and his deputy, head of internal audit and its members may not hold another position with the same Manager or be a head or another employee with a different Manager or a person providing investment services. The aforementioned persons may carry out other paid jobs, except for scientific, pedagogic and creative ones, only upon having the board consent. The CBA normative legal acts may define limitations for the head of the manager and other employees to simultaneously hold several positions, aimed at avoiding possible conflict of interests and other risks.
5. A person who acts as a Manager or on its behalf or in its team is prohibited to carry out such management activity by this law in a team with another manager or on its behalf, as well as in a team with and on behalf of a person (including one and the same Manager) engaged in investment services with respect to investment activities prescribed by Article 25, Clause 1 (1-5) of the RA Law "On Securities Market". Violation of this clause shall be a ground for disqualification.
6. Heads of the Manager and employees in performing their functions shall act in the interests of fund participants, shall enforce their rights and duties towards the fund participants in good faith and in a rational manner (fiduciary duty).

Article 66. Professional Qualification

1. Natural persons engaged in fund activity on behalf of or in a team with the Manager's Heads and the Manager shall be subject to the professional qualification procedure and criteria stipulated by the CBA normative legal acts applicable to the Managers of a person engaged in investment services, natural persons engaged in securities package management while acting on behalf of or in a team with the person engaged in investment services, unless another procedure and/or other additional criteria are stated by the CBA normative legal acts.
2. The professional qualification prescribed by this Article shall be granted for no less than one year.
3. The Manager shall ensure for its fund (sub-funds) the availability of at least one person that is qualified by this law for fund management, but not yet acting as a head of the Manager.

4. If the Manager, in addition, performs pension fund management as provided by the Law of the Republic of Armenia “On Funded Pensions” qualification requirements set for the persons engaged in such activity shall be applicable thereto.

Article 103. General Grounds for Implementation of Supervision

1. The CBA supervises the fulfillment of and compliance with the requirements of this Law, other RA laws regulating the organization and/or activities of funds and/or Managers.
2. Within the scope of its authority the CBA regulates and supervises the activity of corporate funds, including non-public funds, Managers, custodians (hereinafter supervised persons), as well as their Managers, and persons acting in their composition or on their behalf.
3. The CBA shall exercise its power of supervision defined by Clause 1 of this Article over persons mentioned in clause 2 hereof through its offsite and on-site inspections.
4. The CBA shall implement offsite and on-site inspections in the manner and on conditions specified by this Law, the RA Law “On Central Bank of the Republic of Armenia” and the CBA regulations.
5. The CBA shall provide the authority of the foreign state exercising exclusive supervisory state authorities with the information about the supervised entity obtained in the course of supervision, which the above body needs for issuing permit to the supervised entity operating within the territory of the Republic of Armenia for establishing a subsidiary (including subsidiary acting as an agent) or territorial subdivision or implementing supervision over such subsidiary (including subsidiary acting as an agent) or territorial subdivision established in the given state in accordance with the provisions of the international treaty signed between the CBA and the foreign state by exercising exclusive supervisory authority.

Article 104. The CBA Off-site Supervision

1. The CBA shall implement off-site supervision required by the CBA over the persons stipulated by Clause 2 of Article 103 of this Law, by checking reports, certificates, explanations and other similar documents and information submitted to the CBA.
2. Procedure and terms for documents and information submission stipulated by Clause 1 of this Article shall be prescribed by the CBA normative legal acts.

Article 105. Inspections Conducted by the CBA

1. The CBA shall carry out inspections according to frequency and procedure specified by RA laws and the CBA regulations and according to its plan of supervision (planned inspections) and/or as appropriate.
2. Inspections of supervised persons shall be implemented according to the procedure specified by the RA Law on the Central Bank of the Republic of Armenia.

Article 106. Sanctions and Procedures for Imposing Sanctions by the CBA

1. For breaching the requirements of this Law, and other RA laws regulating the organization of funds and/or Managers and/or their activities and/or other legal acts based thereon, the CBA may apply the following sanctions on the persons mentioned in Clause 2, Article 103 of this Law (if applicable):
 - 1) A warning along with an instruction (instructions) for eliminating the infringements and/or not repeating them in future, and/or taking measures to exclude such infringements in future (hereinafter warning);
 - 2) A fine;
 - 3) Revocation of professional qualification;
 - 4) Recognition of license as void.
2. For one infringement only one sanction may be applied, except for the case when a fine is applied in addition to the warning.
3. Application of sanctions specified by this Article shall not exclude the case when simultaneous application of criminal, administrative, civil or other forms of sanctions may possibly be imposed under another procedure.
4. Sanctions defined by this Article may be applied in the procedure defined by the RA Law On Central Bank of the Republic of Armenia.

Article 107. The Warning

1. In the event of infringing this Law and other RA laws regulating the organization of funds and/or Managers and/or their activities and/or other legal acts, the CBA Chairman shall be entitled to give a warning to the person having committed the breach.
2. Infringement shall be recorded and the person having committed the breach shall be informed about the impermissibility of such a deed.
3. The warning shall also contain the period specified by the CBA for eliminating the infringement, and/or not repeating it in the future and instruction(s) regarding the measures to be taken for that purpose. Termination of certain transactions and/or operations concluded by a supervised person may be stipulated by that instruction(s), as well as instructions for implementing other necessary measures for making changes in terms and conditions and aligning them with this Law and other relevant legal acts. Implementation of instruction(s) shall be binding for the person, who has received a warning.

Article 108. The Fine

1. In the event of violating this Law, other RA laws regulating the organization of funds and/or Managers and/or their activities and/or legal acts adopted thereon, when caused infringements have failed to or may not be eliminated as a result of control measures (meeting, correspondence, explanations) and warnings given thereto, the CBA Chairman shall be competent for imposing a fine on the person, who has committed the breach.
2. Provisions on the maximum amount of fine imposed on natural and legal persons prescribed by the RA Law "On Securities Market" shall apply to maximum amount of fine specified for cases under Clause 1 of this Article, unless other amounts more than the specified are stipulated for separate infringements defined by other RA laws.
3. While determining the amount of fine, the CBA shall take into account:
 - 1) Nature of infringement (intent, indifference or negligence);
 - 2) Damage caused to other people because of infringement and its size,
 - 3) Level of gaining unreasonable profits taking into account the compensations it paid to other people,
 - 4) The same infringement made by the same person in the past and sanctions imposed thereon, as well as the character of sanctions and the size thereof.
 - 5) Other circumstances recognized crucial by the CBA.
4. The amount of fine shall not cause deterioration of the financial situation of the supervised person based on the criteria defined by the CBA Board.

5. In case of non-payment of fines defined by this Article, they shall be charged according to judicial procedure at the CBA's claim. Moreover, the fine applied against the person subject to qualification of Supervised Person Head pursuant to this Law shall be charged from his/her own funds.

6. Fines levied in compliance with this chapter shall be directed to state budget.

Article 109. Revocation of Professional Qualification

1. The professional qualification of the head of supervised person or a person subject to qualification according to this Law acting in a team or on behalf thereof may be revoked according to the CBA Board decision, if:

- 1) He has deliberately infringed the RA laws or other legal acts;
- 2) He has taken actions or inactions, the result of which the supervised person has suffered or might have suffered major financial or other losses;
- 3) During his work he has carried out destructive and endangering activities or not fulfilled his duties in good faith, as well as ignored the responsibilities of the supervised person and his customers.
- 4) He has impeded the actions of the CBA, its employees or has not fulfilled or not properly fulfilled the instruction(s) given upon the CBA warning.
- 5) He has submitted false and/or inaccurate documents and/or information when applying for professional qualification.

Article 110. Announcing the License as Void

1. The Manager License issued by the CBA shall be announced as void according to the CBA Board decision in cases stipulated by this Law.

2. Before applying the sanction stipulated by Clause 1 of this Article the CBA may define certain period for the Manager, during which the latter shall eliminate all infringements being the ground for announcing the license as void.

3. Grounds and procedure for announcing custodian license void shall be defined pursuant to the RA Law "On Banks and Banking Activities".

