

Introducing Changes and Supplements to the Central Bank of the Republic of Armenia Board Resolution No. 347-N, dated November 5, 2002 Publication date` 13.06.2025

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THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA

BOARD RESOLUTION

June 3, 2025; No. 94-N

Introducing Changes and Supplements to the Central Bank of the Republic of Armenia
Board Resolution No. 347-N, dated November 5, 2002 Publication date` 13.06.2025

For the purpose of implementing revision of criteria to selection of rating organizations
when calculating credit risk;

In view of Article 12 of the Republic of Armenia Law “On Credit Organizations”; and

Pursuant to Article 2 (3) and Article 20 (1) “e” of the Republic of Armenia Law “On the
Central Bank of the Republic of Armenia”; and Article 33 and Article 34 of the Republic of
Armenia Law “On Normative Legal Acts”,

the Board of the Central Bank of the Republic of Armenia

E n a c t s:

1. Introduce the following changes and supplements to Regulation 14 “Regulation of the
Activities of Credit Organizations; Prudential Standards for Credit Organization Activities”

(hereinafter referred to as the “Regulation”) as approved under the Central Bank of the Republic of Armenia Board Resolution (no. 347-N, dated November 5, 2002) on “Approving the Central Bank of the Republic of Armenia Regulation 14 “Regulation of the Activities of Credit Organizations; Prudential Standards for Credit Organization Activities””:

- 1) In the Regulation, in the body text, including headings and footnotes where applicable, replace all word expressions “rating agencies” with those of “rating organizations” and make sure all these fall in corresponding suffixes [according to the Armenian grammar];
- 2) In the Regulation, in Appendixes to the Regulation where needed, replace all word expressions “rating agencies” with those of “rating organizations” and make sure all these fall in corresponding suffixes [according to the Armenian grammar];
- 3) Revoke paragraph 27.1 and paragraph 30 of the Regulation;
- 4) Rewrite paragraph 28 and paragraph 29 of the Regulation into the content, as follows:
“28. When calculating credit risk, the principles for applying ratings shall be consistent with the requirements set out in Chapter 6.1 and Chapter 6.2 of this Regulation.
29. In the event that the rating set by the rating organizations, as specified in paragraph 65 of this Regulation, is used when calculating credit risk, a risk weight shall be applied to the claims that is 50% higher (stricter) than the risk weight assigned to the corresponding rating specified in the Table provided in paragraph 23 of this Regulation, but not exceeding 150%.”;
- 5) After Chapter 6, supplement the Regulation with the following content, introduced as new Chapter 6.1 and Chapter 6.2:

“CHAPTER 6.1.

Principles to Selection of Rating Organizations When Calculating Prudential Normative Standards

63. When calculating the prudential normative standards as defined under this Regulation, the ratings established by the following rating organizations shall be used:

- 1) Standard & Poor’s,
- 2) Fitch,
- 3) Moody’s, and
- 4) Other rating organizations as determined by a decision of the Governor of the Central Bank of the Republic of Armenia, which satisfy the following conditions and/or circumstances:
 - a/ these are certified by at least two internationally recognized authorities responsible for registering, maintaining official records of, or supervising rating organizations,
 - b/ these meet the Basel Committee criteria with regard to external credit organizations under the Committee’s standardized approach to credit risk, which at least include the criteria of objectivity, independence, transparency, accountability, availability of

necessary resources and cooperation with the supervisory authority,
c/ the rating scale set by the rating organization concerned is fully aligned (or can be aligned) with the rating scale of at least one of the rating organizations defined in subparagraphs 1 to 3 of this paragraph. Moreover, there is an analysis published by at least one of the internationally recognized authorities in the field of regulation or supervision of the financial system, assessing the alignment of the rating scales.

64. When calculating credit risk as defined under this Regulation, credit ratings assigned by other rating organizations – as recognized by a decision of the Governor of the Central Bank of the Republic of Armenia and in accordance with the procedure outlined in paragraphs 65 to 70 of this Regulation – may also be applied to claims against foreign organizations, in addition to the organizations as listed under paragraph 63 of this Regulation.

65. Rating organizations as defined in paragraph 64 of this Regulation must satisfy all of the following conditions and/or circumstances simultaneously:

- 1) the rating organization satisfies the requirements set out in points “b” and “c” of subparagraph 4 of paragraph 63 of this Regulation,
- 2) the minimum statutory capital of the rating organization amounts to AMD 1,000,000,000 (one billion Armenian drams) or its equivalent in foreign currency,
- 3) the rating organization is not affiliated with state government departments or state officials, local self-government authorities or political parties, or state non-commercial organizations, and the aforementioned entities and/or parties do not interfere in the activities of the rating organization and have no influence on the process of assigning ratings,
- 4) any and each shareholder in the statutory capital of the rating organization does not hold, whether directly or indirectly, more than 50% of the votes of the holders of voting shares, and where the shareholder is a financial organization, any and each shareholder does not hold, whether directly or indirectly, more than 5% of the votes of the holders of voting shares,
- 5) legal entities, to which ratings are assigned, confirmed or revised by the rating organization, are not related to the rating organization, except for the parties which directly hold no more than 5% of the rating organization’s shares and have no influence on the activities of the rating organization,
- 6) the rating organization has been engaged in rating activities uninterruptedly at least in the course of the last eight years,
- 7) the rating organization has assigned or revised ratings to at least 100 different companies, including at least 30 of them in the course of the last three years,
- 8) the rating organization has assigned or revised ratings to at least 10 financial institutions,
- 9) the rating organization monitors the assigned ratings on an ongoing basis, as well as responds in a timely manner to changing factors both internally and externally, including

changes in the financial condition, corporate governance or other areas of activity of the rated entity, macroeconomic conditions or financial market conditions, which is reflected in actual rating updates no later than 1 calendar year from the date of assigned rating or the last review or revision of the applied methodology,

10) the rating organization has maintained, and continues to maintain, a good reputation throughout the course of its activities,

11) at least one-third, but not fewer than two members, of the rating organization's board shall be independent; these individuals shall not participate in the rating process, promote the organization's services, or engage in other client-soliciting activities,

12) the rating organization's internal policies and procedures provide for measures to prevent unsubstantiated use and disclosure of information to third parties, as well as to ensure the security and confidentiality of information,

13) the rating organization discloses on its official website the methodology used in determining the rating,

14) the rating organization discloses on its official website the list of entities rated in the previous year and the list of other entities, with the share of revenue received therefrom as of the end of the previous calendar year having constituted five (5) percent or more of the annual revenue of the rating organization,

15) the methodology used by the rating organization is reliable and contains a detailed description of all the key quantitative and qualitative parameters applied to assess the organization's ability to fulfill its financial obligations, as well as the influence of the aforementioned parameters on the rating forecasts,

16) at least one member of the authority responsible for decision-making with regard to the rating has at least two years of work experience in the rating organization,

17) the authority responsible for decision-making with regard to the rating employs at least five rating analysts,

18) the rating organization's rating analysts who participate in the rating process have not received, whether directly or indirectly, any remuneration from, or did not have any business relationship, with the organization being rated or the party affiliated therewith, in the course of the last three years,

19) the rating organization's rating analysts and the parties affiliated therewith do not own any assets or securities of the organization being rated or the parties affiliated therewith,

20) the members of personnel of the rating organization, who are directly involved in the assignment of ratings, possess appropriate professional backgrounds, relevant work experience, and the necessary knowledge, abilities, and skills.

66. The rating organizations that satisfy all the conditions and/or circumstances outlined in paragraph 65 of this Regulation may apply to the Central Bank of the Republic of Armenia by providing substantiation for their compliance with the established criteria, including an assurance, from the authority that supervises the rating organization, that the rating organization satisfies the requirements set forth in paragraph 65 of this Regulation.

67. The Central Bank of the Republic of Armenia shall, within a 30-day period from the date of receiving the documents specified in paragraph 66 of this Regulation, decide whether to consider the ratings provided by the rating organization applicable for using in credit risk calculation or to decline them. The Central Bank of the Republic of Armenia shall notify the rating organization of its decision within five (5) business days following the end of the 30-day period.

68. The 30-day period may be suspended for up to an additional 30 days in order to obtain specific information or clarifications required by the Central Bank of the Republic of Armenia, provided that the rating organization is duly informed of the suspension.

69. The Central Bank of the Republic of Armenia may decline the application submitted for considering the ratings provided by the rating organization applicable in the calculation of standards in accordance with paragraph 66 of this Regulation, if rating organization concerned has failed to provide the documents specified in paragraph 66 of this Regulation or does not satisfy any of the conditions and/or circumstances outlined in paragraph 65 of this Regulation.

70. The decision on considering the ratings provided by the rating organization applicable for using in credit risk calculation, as determined in paragraph 67 of this Regulation, shall be revoked by the Governor of the Central Bank of the Republic of Armenia if there has been disclosure of such information as a result of which the rating agency has ceased to satisfy any of the conditions and/or circumstances outlined in paragraph 65 of this Regulation.

71. The list of organizations provided by virtue of the decision of the Governor of the Central Bank of the Republic of Armenia, as specified in sub-paragraph 4 of paragraph 63 and paragraph 64 of this Regulation, shall be publicly available on the official website of the Central Bank of the Republic of Armenia.

CHAPTER 6.2.

Principles to Application of Ratings When Calculating Prudential Normative Standards

72. When calculating prudential normative standards, the ratings assigned by the organizations specified in sub-paragraph 4 of paragraph 63 and in paragraph 65 of this Regulation shall be used, provided that the requirements applicable to ratings issued by the organizations defined in sub-paragraphs 1 to 3 of paragraph 63 are observed. The applicable rating shall correspond to the equivalent level in the comparative rating scale published on the official website of the Central Bank of the Republic of Armenia.

73. Credit organizations shall be required to update the ratings set by rating organizations based on the ratings effective on a given day, as defined in paragraph 63 of this Regulation.

74. If a particular instrument or entity has a rating assigned by only one rating

organization, that rating shall be used as the basis. If two different ratings are assigned by separate rating organizations, the bank shall use the lower of the two. And in cases where three or more ratings are available, the bank shall take the lowest of the two highest ratings as the basis.

75. The rating assigned to any particular party within a financial group does not apply to the financial group and other parties within that financial group.

76. The rating assigned to the financial group does not apply to the parties within that financial group.”.

2. This resolution to enter into force on the tenth (10th) day following its official publication.

Armen Nurbekyan

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c. Yerevan