

On Adoption of Rules for Ensuring Compliance with International Sanctions

2026-02-19

THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA
GOVERNOR DECISION

February 19, 2026 No. 1/70 A

On Adoption of Rules for Ensuring Compliance with International Sanctions

For the purpose of ensuring the availability of an appropriate framework of instruments for the effective management of risks associated with the circumvention of international sanctions by the Central Depository;

In view of Article 180(8) of the Republic of Armenia Law “On the Securities Market”; and Pursuant to Article 2(3) and Article 18(4)(“g1”) of the Republic of Armenia Law “On the Central Bank of the Republic of Armenia”;

Decided:

1. To require the Central Depository of the Republic of Armenia (hereinafter, the “Central Depository”) to adopt, within six months, rules and internal legal acts governing the management of risks associated with the circumvention of international sanctions, which shall, at a minimum, include the following requirements:

1. The Central Depository shall establish risk-based internal control systems and procedures for managing the risk of circumvention of international sanctions, including, at a minimum, the assessment of risks related to the circumvention of international sanctions, as well as mechanisms for risk containment, monitoring, control testing, and accountability. For the purposes of this document, international sanctions shall mean any economic, financial, trade, or other restrictive measures imposed by international organizations or states, including the freezing or blocking of assets, restrictions on access to funds or economic resources, sectoral financing or investment restrictions, trade, export or import controls, prohibitions on the provision of services, and measures aimed at

preventing the circumvention of such restrictions, excluding lists of persons associated with terrorism or the proliferation of weapons of mass destruction established under the Republic of Armenia Law “On Combating Money Laundering and Terrorist Financing”, the regulation of which is governed by other applicable laws and subordinate normative legal acts. For the purposes of this document, the risk of circumvention of international sanctions shall mean the probability of the Central Depository incurring losses as a result of the circumvention of international sanctions.

2. Taking into account the nature of its activities, size, complexity, and risk profile, the Central Depository shall comply only with international sanctions frameworks established by those states or international organizations that may directly or indirectly affect the activities of the Central Depository.

3. The Central Depository shall maintain internal control system processes enabling it to fully and effectively identify, assess, suspend, or reject transactions posing a risk of circumvention of international sanctions.

4. The Board of the Central Depository shall:

1) approve procedures for internal control and monitoring of the management of risks associated with the circumvention of international sanctions and review such procedures annually, or more frequently in the event of material changes within the Central Depository or in the relevant market;

2) approve, and review annually or more frequently where material changes occur, an action plan aimed at remedying deficiencies, omissions, and failures identified in the international sanctions circumvention risk management process referred to in subparagraph 2 of paragraph 18 of this document;

3) approve the budget necessary for the implementation of the international sanctions circumvention risk management process.

5. The Executive Body of the Central Depository shall:

1) ensure compliance with and effective implementation of the requirements set forth in paragraph 1 of this document;

2) define the duties and scope of responsibility of the person responsible for implementing the international sanctions circumvention risk management function (hereinafter, the “Responsible Person” for the purposes of this document), appoint the Responsible Person, who shall be a manager registered with the Central Bank, and, where necessary, appoint other persons responsible for managing risks associated with the circumvention of international sanctions, while preventing conflicts of interest;

3) ensure the availability of sufficient technological, professional, and other resources necessary for the day-to-day management of risks associated with the circumvention of international sanctions;

4) ensure implementation of the action plan aimed at remedying deficiencies and omissions in the international sanctions circumvention risk management process referred to in subparagraph 2 of paragraph 18 of this document.

6. The Responsible Person shall, at a minimum:

- 1) develop methodologies and procedures for managing the risk of circumvention of international sanctions and submit them to the Board for approval;
- 2) identify and assess risks faced by the Central Depository in relation to the circumvention of international sanctions, exercise oversight and monitoring over identified risks, and ensure their effective management;
- 3) develop a framework and action plan for addressing deficiencies, omissions, and failures in the implementation of the international sanctions circumvention risk management process;
- 4) perform other functions related to the management of risks associated with the circumvention of international sanctions.

7. The Central Depository shall establish a methodology for assessing the risk of circumvention of international sanctions and, on the basis thereof, conduct an assessment of such risk at least annually in order to identify potential deficiencies and vulnerabilities.

8. The assessment of the risk of circumvention of international sanctions shall include an evaluation of inherent risk, risk management measures, and residual risk.

9. In assessing the risk of circumvention of international sanctions, the assessment of inherent risk shall, at a minimum, include:

- 1) assessment of customer risk;
- 2) assessment of geographic location risk;
- 3) assessment of risks associated with services provided, including transactions;
- 4) assessment of counterparty and intermediary risk;
- 5) assessment of risks associated with the service delivery chain.

10. The Central Depository shall assess the effectiveness of the instruments and measures aimed at containing inherent risks as part of the international sanctions circumvention risk management process and its implementation.

11. The Central Depository shall assess residual risk related to the circumvention of international sanctions, as determined by the level of inherent risk associated with its activities and the adequacy and effectiveness of risk management measures.

12. Problems and deficiencies identified through other control mechanisms, including monitoring, testing, and internal audit, shall also be reflected in the results of the international sanctions circumvention risk assessment.

13. The internal control systems and processes referred to in this document shall, at a minimum, enable the Central Depository to:

- 1) conduct due diligence in relation to its customers, customers' counterparties, its own counterparties, and all parties involved in transactions;
- 2) assess the international sanctions circumvention risk associated with customers and counterparties;
- 3) conduct transaction monitoring;
- 4) monitor the activities of customers and counterparties on the basis of available

information;

5) evaluate the effectiveness of the international sanctions circumvention risk assessment process;

6) collect and maintain information disclosed or generated during the international sanctions circumvention risk management process.

14. The Central Depository shall ensure that relevant employees engaged in activities related to the management of risks associated with the circumvention of international sanctions are informed of the international sanctions circumvention risk management procedures implemented by the Central Depository and any amendments thereto.

15. The Central Depository shall establish a procedure for monitoring the effectiveness of the international sanctions circumvention risk management process.

16. The Central Depository shall conduct testing of control mechanisms and key processes relating to the management of risks associated with the circumvention of international sanctions in order to verify, at a minimum, the proper functioning of monitoring systems and to periodically assess their effectiveness from a risk management perspective.

17. The Central Depository shall ensure that, where deficiencies are identified in internal control systems aimed at managing risks associated with the circumvention of international sanctions, immediate and effective measures may be taken to contain and eliminate such risks.

18. At least semi-annually, the Responsible Person shall submit reports to the Board and the Executive Body addressing, at a minimum, the following:

1) the international sanctions circumvention risk management process, its components, implementation status, and all risks associated with the circumvention of international sanctions;

2) identified deficiencies, failures, and omissions in the international sanctions circumvention risk management process;

3) the results of assessments of risks associated with the circumvention of international sanctions;

4) potential violations of international sanctions requirements and measures undertaken to remedy such violations.

19. The Central Depository shall establish appropriate procedures to ensure that deficiencies, failures, and omissions identified within internal control systems relating to the management of risks associated with the circumvention of international sanctions are reported immediately to the Responsible Person and that effective measures are taken without delay to contain and eliminate such risks.

20. The Central Depository shall establish procedures and implement automated tools for monitoring compliance with international sanctions that are appropriate to its size, complexity, risk profile, and operational activities, enabling detailed examination of its operations, including transactions, for the purpose of identifying and effectively managing risks associated with the circumvention of international sanctions. The procedures

referred to in this paragraph shall be reviewed annually, or more frequently, in the event of material changes within the Central Depository or in the relevant market;

21. In conducting monitoring, the Central Depository shall, taking into account the specific nature of international sanctions regulations, consider, at a minimum:

- 1) geographic factors, including countries, cities, and regions subject to the most stringent and comprehensive international sanctions regimes;
- 2) keywords related to international sanctions;
- 3) the origin of goods, services, software, and technologies involved in a transaction;
- 4) organizations and entities owned by, affiliated with, or otherwise connected to persons subject to international sanctions and suspected of engaging in sanctions circumvention. Where necessary, reliable internal and external data or information concerning such persons may also be taken into account;
- 5) identification data of financial institutions to which international sanctions apply;
- 6) International Securities Identification Numbers (ISINs) of securities issued or traded in countries to which international sanctions apply.

22. The Central Depository shall, at a minimum, monitor:

- 1) customers and counterparties;
- 2) participants of the Central Depository, employees involved in the execution of transactions, and members of the governing bodies of the Central Depository, at least annually;
- 3) transaction currencies;
- 4) the place of execution of transactions.

23. When monitoring customer data as provided for under these Rules, the Central Depository shall, at a minimum, take into account persons related to the customer that have already been identified by the Central Depository, including persons holding direct or indirect significant participatory interests, beneficial owners, directors, authorized representatives, and the customer's business relationships. In the case of natural persons, citizenship, actual residential address, and principal country of taxation shall also be taken into account; in the case of legal entities, their place of incorporation, location, and principal place of business shall be considered.

24. Where regular services are provided to financial institutions operating outside the territory of the Republic of Armenia or beyond the scope of application of these Rules, the Central Depository shall continuously assess and document the international sanctions circumvention risk management process of the relevant financial institution.

25. Monitoring of customer data as defined in this Chapter shall be carried out upon establishment of a business relationship with the customer and shall be ongoing in nature. Furthermore, where any change or update occurs in international sanctions lists or customer data, the Central Depository shall conduct monitoring within one business day following such change or update.

26. Data relating to transactions executed by the Central Depository shall be subject to

monitoring prior to the execution and confirmation of the relevant transaction.

27. The Central Depository shall periodically test the effectiveness of international sanctions monitoring tools and systems, which shall, at a minimum:

1) be conducted on the basis of criteria, analyses, and reports established by the Central Depository for monitoring purposes;

2) include verification of the reliability and integrity of data used in the management of risks associated with the circumvention of international sanctions.

28. The Central Depository shall document international sanctions monitoring tools and ensure transparency in decisions made on the basis of system limitations or risks not identified through monitoring control mechanisms.

29. In addition to monitoring control mechanisms relating to international sanctions, the Central Depository shall implement an appropriate methodology, including transaction monitoring scenarios, for identifying instances of evasion or circumvention of international sanctions. Such scenarios shall be periodically reviewed and assessed to ensure the continuing relevance and effectiveness of the methodology in identifying cases of sanctions evasion or circumvention.

Martin Galstyan

.