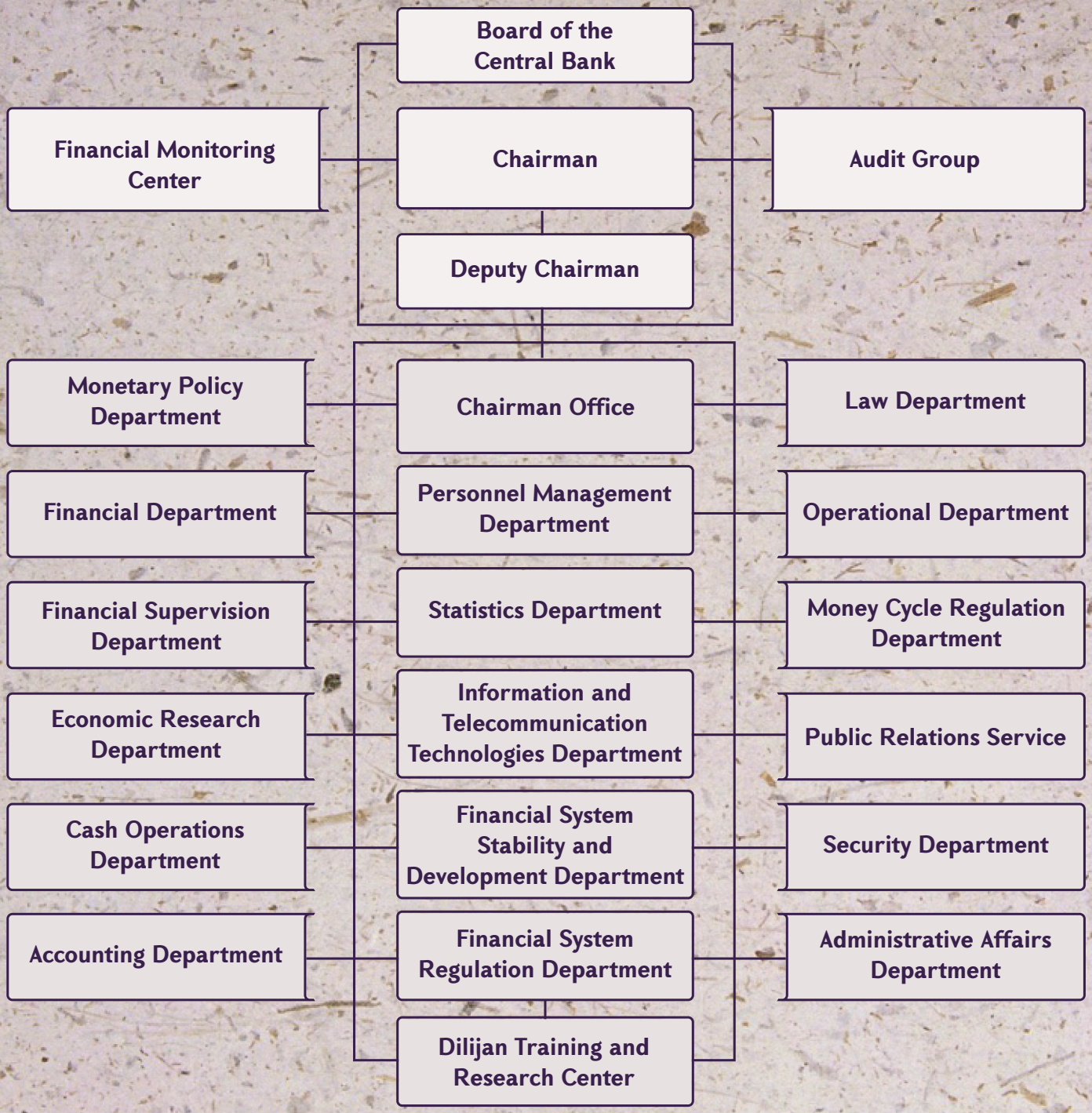
CENTRAL BANK
OF THE REPUBLIC OF ARMENIA

Annual Report

2013


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OF NATIONAL CURRENCY

THE CENTRAL BANK ORGANIZATIONAL STRUCTURE



CENTRAL BANK
OF THE REPUBLIC OF ARMENIA

At the 10th international numismatics contest held in Vicenza, Italy, in 2013, the commemorative coin (Armenian Book Printing 500th Anniversary) *issued by the Central Bank in 2012 won the first prize in the category "Best Coin of the Year".*





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CHAIRMAN'S ADDRESS

Dear reader,

This is Annual Report of the Central Bank for 2013. It provides an inclusive account of the tasks and goals of the Bank. In the period under review, the Bank operated exactly in line with the preannounced strategy as well as vision, values and objectives prescribed in there.

The Bank sought to retain high respect as guarantor of price and financial stability in the Republic of Armenia. We looked forward to ensuring sustainable development of the economy, further integrating with international markets and playing an important role as provider of financial services in the region.

In pursuit of the objective of price stability, the Bank carried out an anti-cyclic policy, consistent with the macroeconomic environment. In August, the Board of the Bank raised the refinancing rate in response to second round effects of increased energy prices and, hence, inflationary expectations. Then, late in the year, the Bank gradually loosened the monetary conditions as the inflation rate reduced and economic activity slowed down.

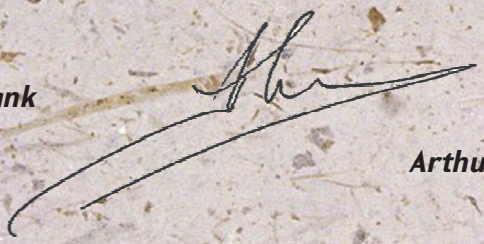
The year was prominent in terms of building more resilient financial sector and stronger rate of intermediation of the financial system in the economy. The financial sector had an operational year with positive results – encouraging rise in the main prudential indicators of the sector that facilitated further integration of the real and financial sectors to the economy. At the end of 2013, assets of the financial sector amounted to 77.1

percent of gross domestic product, growing by 9.1 pp against the previous year.

During the year, we had a bunch of anniversaries and other important events dedicated to the national currency. On November 22, 2013, the Republic of Armenia celebrated the 20th anniversary of introduction of the national currency, the Dram. Over these years, the Dram has gone through major changes to become a modern and secure currency.

I would like to conclude that throughout the year the Bank maintained commitment to implementing a merits-based policy, and we are proud that all achievements of the Bank unquestionably come from its people working in a thoughtful, attentive and concerted teamwork.

Chairman of
the Central Bank



Arthur JAVADYAN

CENTRAL BANK
OF THE REPUBLIC OF ARMENIA

The banknote with par value 100 000 Dram issued by the Central Bank won the second prize at the contest Best-New Banknote or Banknote Series organized by International Association on Currency Affairs, and the third prize at the contest Best Banknote of the Year organized by International Banknotes Community.



THE CENTRAL BANK OF ARMENIA

About the Central Bank

The primary goal of the Bank is to maintain price stability in Armenia, according to the Republic of Armenia Law on the Central Bank. In order to achieve this goal, the Bank has a function of taking measures to attain price stability while developing, approving and implementing monetary policy programs.

Mission of the Central Bank

Mission of the Bank is:

a) to be an internationally recognized institution that is independent, dynamic, prestigious, transparent, knowledge-based and onlooker of development trends in global financial system;

b) to maintain institutional ability to timely respond to the change in economic environment and effectively influence the economic processes;

c) to support on an ongoing basis the sustainable development of macroeconomic environment while being an important partner to the Government of Armenia in facing economic challenges.

Objectives of the Bank include:

a) ensuring a stable and normal-functioning financial system, including creation of conditions necessary for a stable, liquid, solvent and resilient banking sector in Armenia;

b) creating and developing an efficient payment and settlement system;

c) issuing currency of the Republic of Armenia, and organizing and regulating money cycle;

d) organizing and regulating the framework of combating legalization of criminal proceeds and terrorism financing;

e) creating conditions for protection of investors in securities and for building a framework for fair pricing of securities in the market, and for regulated activities of a sound, open, reliable and efficient securities market, as well as providing requisite conditions for growth; and



Board of the Central Bank *(left to right)*
Standing: *Arthur Stepanyan, Oleg Aghasyan, Armenak Darbinyan, Vakhtang Abrahamyan*
Sitting: *Nerses Yeritsyan, Arthur Javadyan, Ashot Mkrtchyan*

f) providing essential conditions for protection of rights and lawful interests of consumers of financial services.

To achieve its objectives, the Bank:

a) takes up function to manage interest rates in dram markets and handle dram liquidity;

b) acts as a lender of last resort;

c) provides banking services to the Government and acts as financial agent and consultant to the Government;

d) licenses banks, payment and settlement organizations and other financial system participants, and regulates and oversees their activities for a unified supervision;

e) manages international reserves of the Republic of Armenia;

f) collects, compiles and publishes monetary and financial system statistics;

g) collects, surveys and analyzes information regarding legalization of criminal proceeds and terrorism financing; exchanges information and delivers that to local authorities and international organizations and, where provided for by international treaties of the Republic of Armenia, to competent authorities of other countries;

h) regulates and administers work aimed at improving market conduct and financial literacy of households.

CENTRAL BANK
OF THE REPUBLIC OF ARMENIA





At the 6th international contest Coin Constellation -2012 held in Russia, the series of coins Cross-Stones of Armenia (a total of 6 coins) issued by the Central Bank in 2011 won the second prize in the nomination Series of the Year.

Review of strategic directions

According to the 2012-2014 strategy, as an independent institution as well as guarantor of price and financial stability in the medium and long run, the Bank will seek to uphold authority in fulfilling its primary objective by further looking to maintain sustainable economic development, integrate to international markets and play an important role in providing financial services at the regional level. In 2012-2013, the Bank spent efforts to further introduce best international experience to the financial sector to pursue diversity and sustainable development in the sector.

For 2013, the Bank prioritized the following objectives:

Maintaining price stability: the monetary policy implemented under an inflation targeting strategy was steered to maintaining price stability and anchoring public expectations, while providing for important preconditions for sustainable growth in the long run. The inflation environment has expanded considerably since the second half of the year, and prices of agricultural products increased, due to adverse weather conditions, and energy prices have shaped inflationary expectations. The monetary policy implemented with due transparency under a floating exchange rate regime has pushed the inflation rate down: late in 2013 the 12-month inflation rate reached 5.6 percent, which is actually around the confidence band.

Maintaining financial stability: in 2013 the Bank continued its efforts to strengthen financial stability and further improved regulatory and supervisory frameworks. Financial intermediation in the economy was further enhanced. The financial sector assets to GDP ratio has grown by 8.5 pp and the credit to GDP ratio by 3.1 pp, to make up 76.5 percent and 43.1 percent, respectively. Improved financial intermediation and stronger competitiveness among banks made it possible for loan interest rates to trend down and deposit interest rates to go an upward path. This has pushed the interest rate spread to narrow.

Regulating cycling of local currency: during the year experts worked on developing a single information management system for cash operations within the Bank. Construction of a new cash center in Dilijan was successfully completed. In 2013, the Republic of Armenia celebrated the 20th anniversary of introduction of its currency, the Dram. The Bank hosted a number of events, including the issuance of the commemorative coin *20-year of the Dram*. More coins dedicated to other important events taken place during the year were issued with the aim of proliferating national and cultural heritage and values. The year was also outstanding for an unprecedented numismatic program, under which gold and silver coins of the series *Letters of the Armenian Alphabet* were issued. A new series titled *Treasures of Echmiatsin* was issued as part of the international numismatic program "History of Armenia".

Institutional development: in 2013 the Bank continued developing its professional and research capacity. The information security management system was further improved and aligned with internationally accepted standards, with information risks categorized and made manageable. The input of the ISO/IEC 27001:2005 standard introduced in an expanded framework was completed successfully. This already includes the Bank's payment and settlement system. The strategy of business continuity management was approved. In 2013, Dilijan Research and Training Center started operating. The center is now home to some departments of the Bank and is aimed at enhancing scientific potential and effectiveness of government's economic policy.











At the 5th international contest Coin Constellation-2011 held in Russia, the coin Movses Khorenatsi-1600 issued by the Central Bank in 2010 won the first prize in the nomination Silver Coin of the Year.

MAINTAINING PRICE STABILITY

Monetary policy

Primary goal of the Bank

According to the Republic of Armenia Law on the Central Bank, Article 4, **the primary goal of the Bank is maintaining price stability**, whereby the Bank contributes to the implementation of economic policy for a long-term stability and high economic growth. Price stability means a certain level of inflation which the Bank accepts as a target level of inflation or inflation target. In Armenia, the inflation target is set in medium-term expenditures frameworks of Armenian Government, the Republic of Armenia monetary policy programs as well as sustainable growth programs (now Extended Fund Facility Strategic Program, EFF) and the law on state budget. The Bank is independent in deciding on a strategy for conducting monetary policy and intermediate and operational targets as well as monetary instruments.

Since January 1, 2006, the Central Bank has moved to an inflation targeting strategy, whereby a projected level of inflation serves an intermediate target and short-term interest rate serves an operational target. Interest rate (Refinancing Rate) of repurchase operations is the main instrument of monetary policy in the Republic of Armenia. The Board of the Bank determines the Refinancing Rate according to a pre-announced annual timetable. Interest rates of the monetary policy instruments take effect the day following its setting.

One of the main ways the Bank communicates to the public is through publication of inflation reports on a quarterly basis as part of inflation targeting policy[1]. The first part of the inflation report contains the next quarter's monetary policy program and the second part presents the implementation status of the previous quarter's monetary policy program steered to attain the inflation target.

» [1] *See the Central Bank website: www.cba.am.*



Fulfilling the primary goal

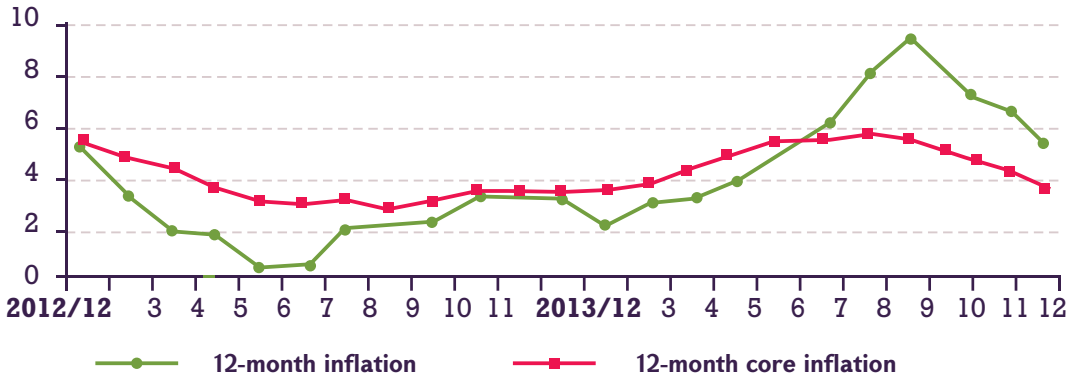
The first quarter 2013 monetary policy program envisaged that the 12-month inflation would speed up over the first half of the year due to the phasing out effect of previous year's supply shock in agriculture and then it would stabilize around **4 percent target**, resting within **± 1.5 percent band**. Under such developments, the Bank envisioned to carrying out a neutral monetary policy during the year.

Up until May 2013, the inflation patterns were in fact in line with the projections: the 12-month inflation expanded to 3.9 percent in late April from 3.2 percent recorded at the previous yearend, staying very close to the confidence band. Under such conditions, the Bank left the policy rate unchanged, at 8 percent.

However, the situation changed notably in May when the economy accumulated a considerable amount of inflation potential as a result of developments in agriculture (hailstorms and a delayed vegetation period) and increased prices of some services. Also, information that energy prices may possibly be revised starting from the third quarter came in the meantime. As a result, the inflation environment in the period May-August expanded significantly, leading to an inflation level above the target. In the aforementioned period, taking into account the prevalent effect of non-monetary factors on high inflation as well as a low level of core inflation rate, the Bank **continued implementing a neutral monetary policy by leaving the refinancing rate unchanged**. Only in **August**, with the core inflation rate high enough and inflationary expectations elevated, the Bank **raised the refinancing rate by 0.5 pp** to 8.5 percent.

Figure 1

The low inflation environment of 2012 started to expand in 2013; it was however moderate in the second half of the year after the Bank raised the refinancing rate



Starting from September, the inflation began moderating due to slow economic growth rates, tightened monetary conditions and less seasonal increase in prices of some food products at the end of the year. There was merely 2.0 percent of inflation recorded over the last four months of the year compared to about 5.7 percent recorded in the same period of the previous year. As a result, the 12-month inflation declined to 5.6 percent in late December, nearing the upper bound of the confidence band. In the meantime, the core inflation rate also declined (by 2 pp), almost matching to the target.

At the end of the year, in view of moderated inflationary environment as well as non-inflationary expectations from the external and domestic economies in the medium run, the Bank gradually loosened the monetary conditions by lowering the interest rate a total of 0.75 pp to 7.75 percent in late December.

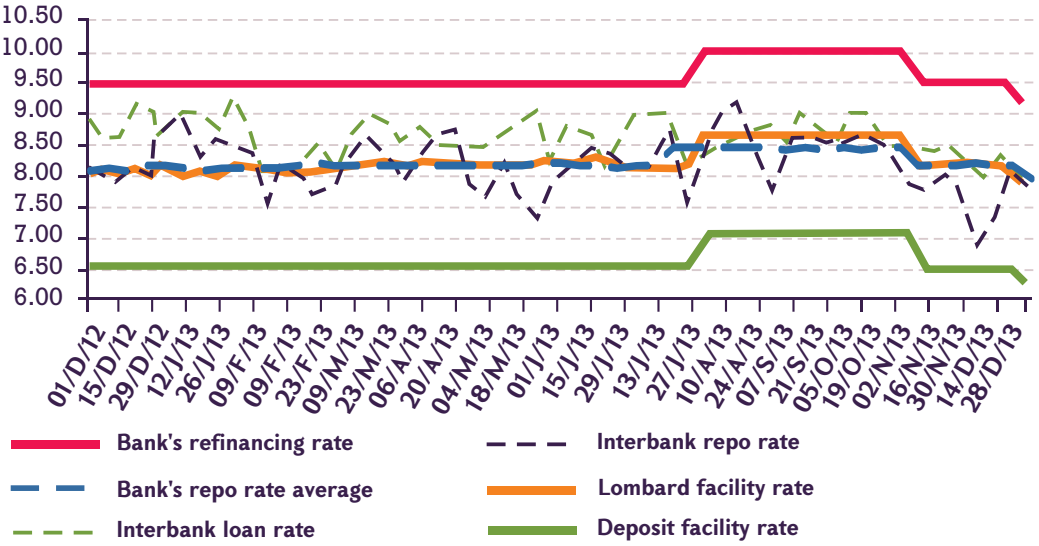
In the financial market, throughout the year interest rates trended mainly in line with the path of the Bank's refinancing rate. On the whole, market rates showed somewhat a downward trend.

Improvement and advancement

In 2013, the Bank continued improving its Forecast and Policy Analysis System. In the context of better external communication,

Figure 2

During the year, interest rates trended mainly in line with the path of the Bank's policy rate



documents featuring the pace of monetary policy, further directions, the rationale and comments for policy decisions were improved in terms of both the form and the content of the communication. In line with the abovementioned trends, the cause and effect relations are described in a more detailed way, and the issues that are important and key to the Bank at the time are particularly emphasized. The improvements are certainly aimed at raising the effectiveness by which the Bank communicates whilst it will certainly help increase the public confidence in the Bank.

Developed in 2013, Quarterly Projection Model started, since January 2014, to be useable as a new Core Macromodel which has a number of advantages over the former one and which more accurately describes the specificities of the Armenian economy. In particular, the new model takes mostly a disaggregation approach to both aggregate demand (domestic demand and net export) and headline inflation (food product price, energy price and core inflation) based on a relative volatility of items in the consumer basket and the factors describing their behavior. The new model also features trends of relative prices through long-term processes, which provides internal processes of relative price adjustments of some products due to price changes in another product group. The

model takes into account the effects of world markets of food products and raw materials as well as the components that describe the effects of real income and financial dollarization.

In 2013, the Bank introduced a world economy forecast modeling framework which enables to build and review baseline and alternative scenarios in forecasting the developments in economies of Armenia's main trade partners.

Further work was done to develop and improve support and satellite models for short-term forecasting of various sectors of the economy. In particular, a model for medium-term forecast of GDP by sector was developed, and the quality of short-term forecasts of consumption, investment, wage and unemployment rate was improved based on an analysis of indicators of statistical model forecast errors.

The Bank developed and put into practice a new model of estimation of neutral interest rate, which is based on the uncovered interest rate parity (UIP) approach and makes it possible to get consistent trends for real domestic interest rate, external interest rate, country risk premium and real exchange rate.

Statistics

In 2013, the Bank spent efforts to extend the scope of sample surveys and improve their methodology. Specifically, the Bank introduced a framework of regional analysts in order to increase accuracy and efficiency of information on the developments in the Armenian economy as well as to make short-term forecasts. The analysts are expected to pay regular visits to businesses, farms and households. The results of such visits will be used to prepare, on a six-month basis, analytical reports describing socio-economic developments in the country. To this end, the Bank has involved and trained analysts assigned for each region of Armenia, conducted pilot surveys and prepared reports as appropriate.

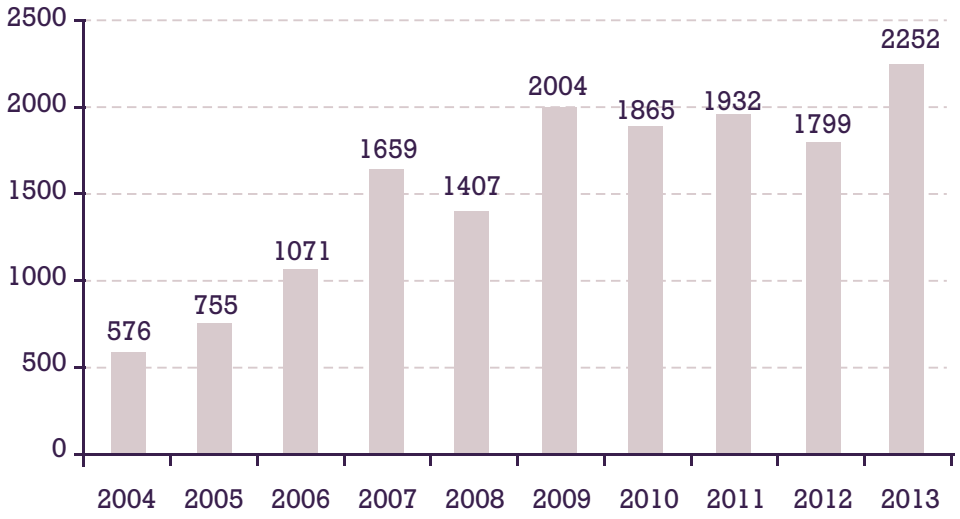
Moreover, the methodologies for other surveys have also been developed, with an improved sampling of surveys and clarified reporting format.

International reserves and reserves management

In 2013, Armenia's international reserves grew by roughly USD 452.24 million and reached USD 2251.69 million at the end of the year.

Figure 3

Armenia's international reserves (million US dollar)



In the period under review, major factors for the changed volume of international reserves included a considerable increase in proceeds on foreign currency correspondent accounts of commercial banks with the Bank (roughly USD 376.9 million) and net purchase of US dollar in Armenia's interbank market (about USD 72.2 million). There were major funds flows posted as a result of structural change in the Republic of Armenia public debt, namely placement of Eurobonds (with market value of nearly USD 689.7 million), loan disbursements and grants from international institutions (nearly USD 209 million) as well as repayment of existing loans (about USD 820.7 million), of which USD 500 million repaid on the Russia loan.

Based on the 2013 results, Net Foreign Assets amounted to roughly USD 1876.5 million.

In 2013, Armenia's international reserves were further in line with all requirements to international reserves applied in world practice. This is true especially in terms of the Armenian economy's ability to absorb possible external shocks. For a certain set of indicators, the level of Armenia's international reserves has outstripped minimum established requirements. In 2013, Armenia's international reserves provided for more than 5 months' import coverage instead of the internationally recognized 3-month coverage. Moreover, the amount of short-term (up to a year) liability coverage has exceeded more than fivefold.

In 2013, the Bank remained committed to a strategy of reserve management under minimal risk exposures, in accordance with security and liquidity principles and in consideration of persisting uncertainties in the world financial market.

Overall, the year 2013 was prominent with a long-awaited boost in economic activity in developed countries. Increased economic activity resulting from a stimulating monetary policy in the U.S.A. in 2013 has greatly contributed to the reduction of the unemployment rate, whilst the inflation rate stood markedly below the target. Remarkably, positive economic developments have enabled the U.S. Federal Reserve System to taper asset purchases in December 2013.

Meanwhile, the European Central Bank has twice decreased the main policy rate throughout 2013. Subsiding inflation rates urged the ECB to think about taking additional stimulating measures. It is worth mentioning that in the second half of 2013, the economic decline in Euro-area has turned into the economic growth. At the same time, the year 2013 marked more favorable economic developments in Spain, Ireland and Portugal.

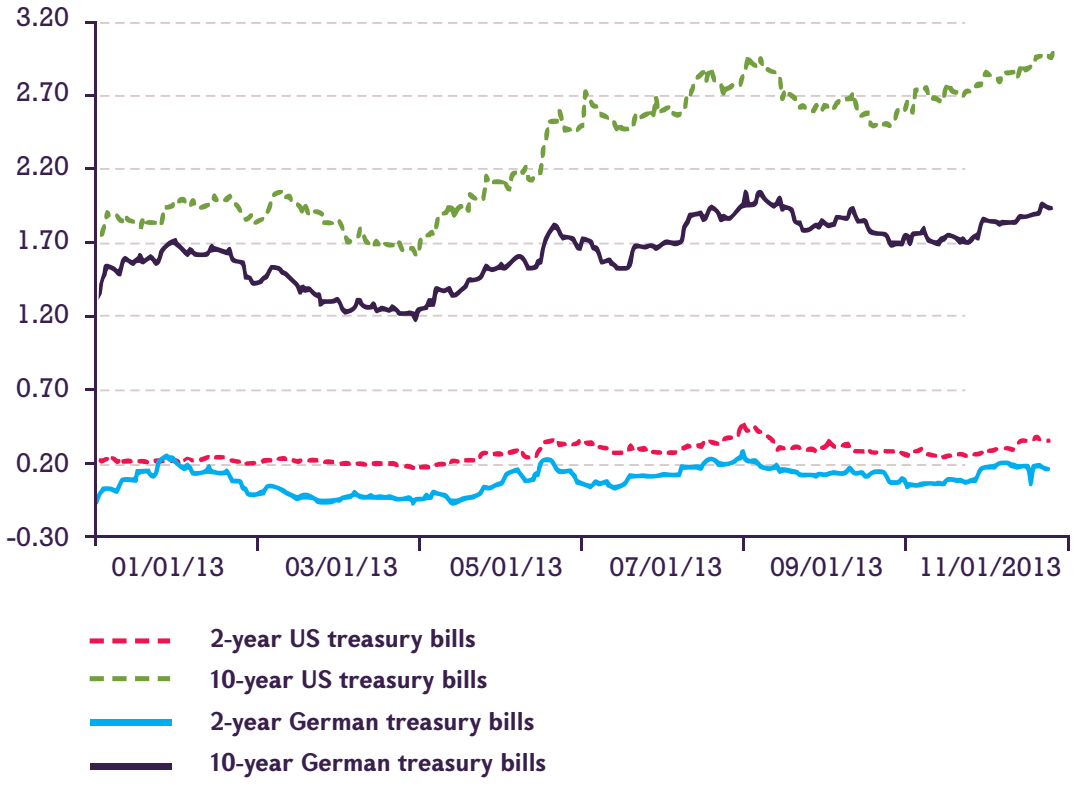
Moreover, for the first time in the last 4 years, Japan posted a positive level of inflation since the country's central bank carried out a stimulating policy at unprecedented volumes. An increased economic activity was observed in Great Britain, as well, owing to combined action of the government and the central bank to support the economy.



As a result of the aforementioned economic developments, short-term interest rates in the U.S.A. in 2013 did not change much and remained extremely low, while long-term interest rates posted a notable increase. At the same time in Euro-area short-term interest rates grew to some extent but the rise in long-term interest rates was less significant.

Figure 4

USA and German treasury bills yield



CENTRAL BANK
OF THE REPUBLIC OF ARMENIA





Диплом

Certificate

Монета
«Айвазовский»
(Республика Армения, номинал – 100 драмов)
Первого конкурса монет стран СНГ и Балтии
решением жюри
Монетное созвездие-2007
признана лучшей в номинации
«Оригинальная технология»

Coin
«Aivazovskiy»
(The Republic of Armenia, nominal – 100 drams)
by the decision of the committee
of the 1st coin contest of the CIS and the Baltic states
Coin Constellation-2007
was named as the best coin in the category
«Original Technology»

Председатель оргкомитета Валерий Пресняков
Head of Organizing Committee Valery Presnyakov

Председатель жюри Наталия Ипатова
Head of Competition Committee Natalia Ipatova

28 июня 2007 года • Россия, Суздаль
28 June, 2007 • Russia, Suzdal



At the international contest Coin Constellation-2007 held in Russia, the coin Hovhannes Aivazovsky issued by the Central Bank in 2006 was the best in the nomination Original Technology.

MAINTAINING FINANCIAL STABILITY

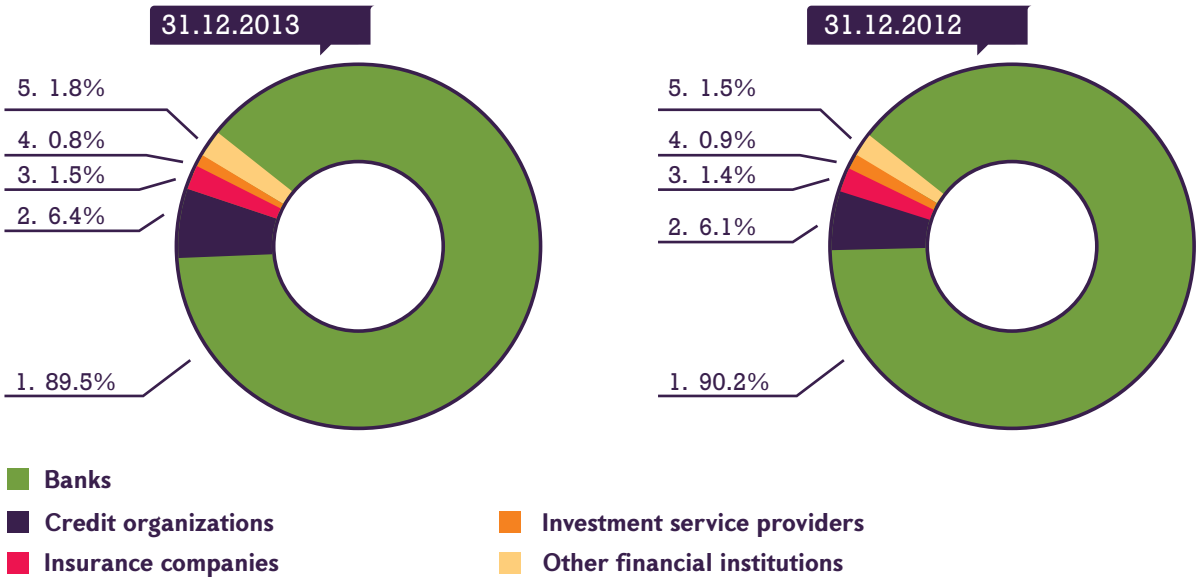
Financial system stability, regulation and supervision

In 2013, Armenia's financial sector further reported trends of dynamic development, ensuring remarkable growth of main prudential indicators.

The banking system is the largest player in the financial sector; it accounts for 89.5 percent of assets of overall financial sector.

Figure 5

Assets of the financial sector by financial institutions



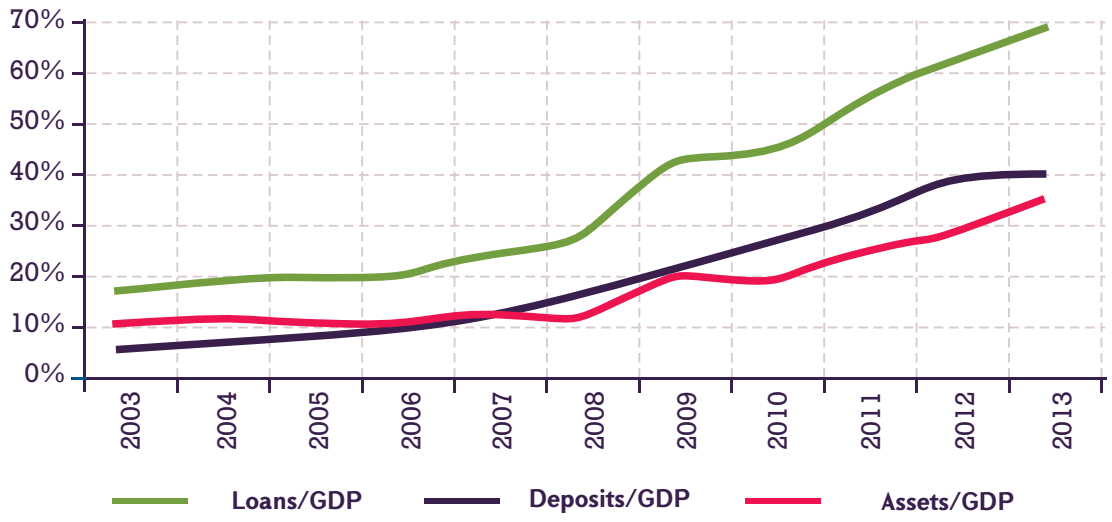
With the nominal GDP growth in 2013, the banking system posted a surpassing increment in the main prudential indicators. This has notably contributed to the advancement of financial intermediation of the banking system. In 2013, the banking system posted 18.8 percent growth of total assets, 13.8 percent increase of total capital and 19.8 percent increase in total liabilities. As a result, the bank assets to GDP ratio rose by 6.0 pp to 69.0 percent, and the bank loans to GDP ratio grew by 1.0 pp to 40.1 percent.

Profitability indicators of the banking system were as follows: return on assets (ROA) reported 0.5 pp drop to 1.4 percent and return on equity (ROE) posted 2.1 pp decrease to 9.1 percent.



Figure 6

The level of financial intermediation



Other participants of the financial sector posted increases of main prudentials as well. Particularly, credit organizations have reported total capital increase by 23.4 percent; liabilities by 25.2 percent; assets by 24.5 percent. Whereas total capital of insurance companies has reduced by 16.3 percent, however liabilities and assets have grown by 38.1 percent and 30.3 percent, respectively. The total capital of investment companies has increased by 36.1 percent and liabilities and assets, by 10.4 percent and 14.5 percent, respectively[2].

During the year, the Bank continued implementing regulatory reforms in the financial sector in pursuit of further maintaining stability and development of the sector.

» [2] *See details on the financial system in the Armenian Financial System: Development, Regulation, Supervision, 2013, and the Financial Stability Report, 2013, published by the Central Bank (www.cba.am).*

The year 2013 was remarkable for the Bank in respect to pension reforms. The Bank has granted a mandatory pension fund management license to two companies created by the participation of reputable foreign organizations which are expected to bring best international asset management practices into the Armenian financial market. In 2013, the Bank proposed [and the National Assembly of the Republic of Armenia endorsed] **some amendments and supplements to the Republic of Armenia Law on Funded Pension Contributions System** in order to offer solution to the existing problems and make sure this field advances appropriately. The amendment has regularized procedures on keeping records of mandatory funded contributions through cards of personal accounts opened with an authorized body, repaying mandatory funded contributions, refunding or reimbursing surcharges of such contributions and distributing penalties generated within the mandatory funded contributions scheme, etc.

In 2013, the Bank embarked on introducing a number of sub-legislative changes in line with the economic developments[3].

In 2013, the Bank continued carrying out both off-site and on-site inspections of financial sector participants, aimed at maintaining financial stability, assessing the participants' exposures to various risks, combatting money laundering and terrorism financing, protecting financial sector consumer interests and further aligning the participants' operational activity with legislative requirements.

[3] *See the report Armenian Financial System: Development, Regulation, Supervision, 2013.*



The main task of off-site supervision is to monitor daily activities and performance of financial institutions on the basis of reports received from such institutions, make analysis of their financial condition, identify unacceptable risks, check compliance of their activity with the legal framework and quickly react, if necessary.

On-site inspections are provided for both comprehensive (all-purpose) and target examinations (inspection of specific activity). In 2013, the supervisory arm of the Bank continued to function to identify and evaluate the financial institutions' risk exposures, business conduct, the accuracy of reportable information and so on. During 2013, the Bank carried out 211 on-site inspections, of which:

- 5 all-purpose inspections and 37 targeted inspections at banks,
- 7 all-purpose inspections at credit organizations,
- 2 all-purpose inspections and 11 targeted inspections at insurance companies,
- 4 all-purpose inspections at investment companies,
- a total of 143 inspections at other financial system participants (exchange offices, pawnshops, payment and settlement organizations and etc.).

Infringements revealed through supervision were remedied and measures were taken to assure ruling out similar breaches in the future.

In the context of maintaining financial stability and development, in 2013 the Bank continued hosting **crisis management simulation events** with an involvement of relevant staff of the Bank and representatives from the Deposit Guaranty Fund and two commercial banks. The purpose of these events is to help participants to become prepared for emergency decision-making and rapid response. In order to maintain a moderate level of risk at banks and ensure general stability, further work was done to introduce the **Basle III** in pursuit of improving, in particular, the quality of capital. This task will be ongoing, and as soon as next year measures will be dedicated to taking new approaches to liquidity risk management and assessment of systemic risk. The Bank remained committed to further working on developing **a risk-based supervision methodology** for exercising control over financial institutions. This will increase the effectiveness of risk assessment process of those institutions. The Bank envisages designing a unified supervision manual with accompanying guidelines, which will create preconditions for the implementation of effective control with minimal resources.

Payment and settlement system

In 2013, the Bank continued its efforts in maintaining a developed and reliable payment and settlement system in Armenia, ensuring further momentum of non-cash payments and PSS regulatory framework and getting the monetary policy instruments automatized.

In the period under review, one organization was granted an activity license to make money transfers and one payment and settlement organization was allowed to issue e-money. Operations of foreign payment systems in Armenia were rather active through the year. As of 2013, a total of 14 Armenian commercial banks and payment and settlement organizations are members to overseas money transfer systems.

The number of customers using banking services has grown by 18 percent to 1.9 million customers, which was almost entirely due



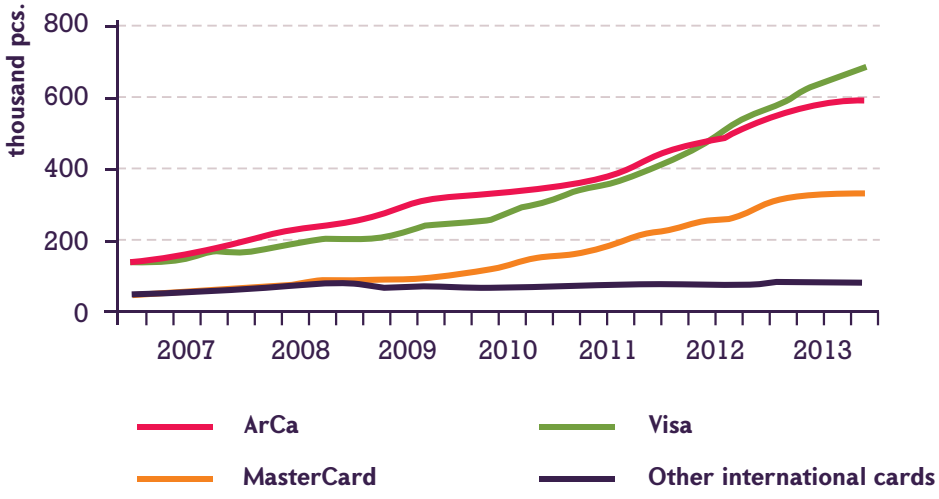
to the increase of the number of individuals (1.8 million as of the end of the year). Banking accounts of customers have increased by 20 percent to 3.2 million accounts (of which, 2.3 million current accounts, 165 000 fixed-term accounts and 697 000 loan accounts).

As of the end of 2013, a total of 19 commercial banks in Armenia offered issuance and/or servicing of payment cards to their customers. All the banks are members to ArCa, a unified cards payment platform.

The total number of cards in circulation has increased by 18 percent against the previous year and amounted to 1.6 million.

Figure 7

Payment cards issued by Armenian banks



In 2013, operations with payments cards in Armenia totaled AMD 1108.0 million. The value of non-cash payments has grown by 16 percent and amounted to AMD 105.8 billion. Out of all non-cash payments, non-cash transactions in the Internet environment totaled AMD 24.3 billion (including e-commerce of AMD 2.9 billion, card-to-card transfers of AMD 21.4 billion). Moreover, the share of non-cash payments by cards (including transactions via the Internet) in total operations with payment cards has grown by 0.4 pp against the previous year reaching 9.5 percent.

Figure 8

Operations with payment cards in Armenia



In the period under review, the Repo/Reverse Repo platform was put into operation. The platform is designed to execute transactions of corporate securities in an automated regime between the Central Bank and system participants for concluding, executing, redeeming those transactions, as well as making settlements and providing intraday liquidity for them.

More work was done to improve the accounting system of Armenia's securities market; further legislative changes were introduced in order to have a simplified procedure of granting status to the securities market participants. The set of changes is expected to facilitate the implementation of the pension reform and to contribute the streamlined accounting of the securities transactions.

Given the impact of information technology risks on the payment and settlement systems, a set of minimum requirements to information security was established for the organizations licensed and/or registered by the Bank, in accordance with the requirements of international standards.



Protection of consumer rights and lawful interests

In consideration of protecting interests of consumers of financial services and raising the level of financial awareness, the Bank embarked on a number of measures which are aimed at enhancing public awareness and strengthening personal finance management capacities on one hand and supporting regulatory and supervisory framework with regard to financial service providers on the other, with a view to maintain a market which complies to the standards of transparency and business conduct.

Financial awareness: the National Strategy of Financial Education in the Republic of Armenia was developed and approved under the intergovernmental committee established back in 2012. The document is a milestone for consolidating efforts of private and public sectors and overall society (private-public-society) in order to take effective steps in the future for raising the rate of financial literacy.

For the first time Armenia launched a program named A Month of My Finances in the period October 1 to 31, 2013, which was aimed to bring institutional and public attention to personal finances and underline its importance. As part of the program, financial institutions, international donors and other dedicated stakeholders took measures, as follows:

- **Visits to banks and insurance companies:** "Yerevan City Tour", a bus tour, took the participants to the Central Bank, the Deposit Guarantee Fund, the Bureau of Auto Insurers, the Office of Financial System Mediator, the NASDAQ OMX Armenia and other private financial institutions, where they had an opportunity to learn more about the activities and operations of these institutions.
- **Financial flash mob:** a whole day was dedicated to showcasing various aspects and elements of personal finance on North Avenue, Yerevan, as passersby could see and learn about personal finance; moreover educational brochures were distributed to passersby.



- **Drawings, comics and various photo contests:** these came with cash prizes and gifts.
- **Building a *Wall of Dreams*** in different parts of Yerevan: the purpose of the event was to draw, once more, the people's attention to their savings and insurance. Passers-by took part in building the Wall of Dreams by sticking their insurance and savings plans onto the wall. Best plans earned cash prizes while passersby were given educational brochures.
- **Outdoor exhibition** on North Avenue, Yerevan, dedicated to the International Day of Savings.
- The employees of financial institutions and public authorities paid a number of **visits to state universities and high schools.**

A dedicated educational website *Finance for All* (www.abcfinance.am) was further updated to contain new sections and subsections, with the launch of a new pension calculator.

There has been particularly an extensive **coverage of the pension system reform.** Television channels and **radio commercials** in Yerevan and regions broadcast **informational and behavioral videos** dedicated to pension reforms; moreover, dozens of **informational and educational seminars** were organized for various organizations.

In order to raise public awareness, informative television commercials on state-subsidized **loans for students and military servicemen** were developed and broadcast.

Hotline and response services remained active to deal with complaints of customers. A **situational hotline service** was launched in May 2013 and lasted a few months for **farmers who suffered hailstorms.** Prudent solutions elaborated **in**



cooperation with commercial banks helped to tackle **complaints and requests** of farmers regarding loan products purchased from financial institutions, and their terms and conditions.

Supervisory controls over the business conduct as well as the accuracy of information reportable by financial institutions were continuously exercised during the year under review.

In the field of **market conduct,** in 2013 the Bank continued efforts to review and improve the regulatory framework of the financial market. With the view to **increasing the transparency** of the financial market, sub-regulatory acts were adopted to establish minimum requirements to the **information to be contained in the Central Depositary's website and information bulletins** as well as to provide **a template letter which a mandatory funded pension contributor sends to the runner of register of participants in the event a pension fund manager and a pension fund has not been chosen.**

The importance of consumer protection and increased financial awareness prompted the Bank to build extended institutional capacity, since it now has a new institutional unit called *Consumer Protection and Financial Education Center*.