

Adopted on 22.12. 2010

**THE LAW OF THE REPUBLIC OF ARMENIA
ON
INVESTMENT FUNDS**

The purpose of this Law is to protect the interests of investors and ensure that a proper collective investment scheme is developed, uniform rules for organization and operation of investment funds and investment fund managers* are established, as well as the level of financial intermediation is increased and the general public is involved in the securities market, in the Republic of Armenia (RA).

**SECTION 1
GENERAL PROVISIONS
CHAPTER 1
GENERAL PROVISIONS**

Article 1. Scope of the Law

1. This Law shall regulate relationships pertaining to collective investments and shall define the following:
 - 1) The types of the investment funds operating in the territory of the Republic of Armenia and the legal status thereof, as well as the managers of investment funds operating in the Republic of Armenia, managers of foreign investment funds, branches thereof established in the Republic of Armenia, and investment fund custodians.
 - 2) Relationships pertaining to organization, operation, management and termination of activities of investment funds established within the territory of the Republic of Armenia, investment fund managers, foreign investment fund managers, as well as branches of

* Translator note: For the purpose of this Law, investment fund manager (hereafter Manager) identifies with an investment management fund



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investment funds established in the territory of the Republic of Armenia.

- 3) Requirements for investment policy of investment funds operating within the territory of the Republic of Armenia.
 - 4) Trading in securities of foreign investment funds within the territory of the Republic of Armenia.
 - 5) Relationships pertaining to the supervision by the Central Bank of the Republic of Armenia (hereinafter referred to as the CBA) over implementation and fulfillment of the requirements set forth by this Law and other legal acts adopted there under and relations arising with regard to liabilities applied against violation of the above requirements.
2. Provisions for investment funds defined by this Law shall apply to public investment funds, unless the legal acts in their context require specifically the non-public investment funds.
 3. Peculiarities of securitization and pension funds shall be defined by the respective statutes.

Article 2. Legal Framework of Investment Funds

Relationships associated with organization and operations of investment funds (including non-public investment funds) and investment fund managers shall be regulated by this Law (in consideration of provisions envisaged by Article 1, Clause 2 of this Law), the Civil Code of the Republic of Armenia, as well as the Laws on Securities Market, Joint Stock Companies, Limited Liability Companies and other laws and normative legal acts of the Republic of Armenia, unless otherwise stipulated by this Law.

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

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(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;
 - 4) **Type of a fund:** a specific type of a fund defined by this Law, depending on its investment policy or the mechanism of issuance and redemption of the fund units (shares);
 - 5) **Standard fund:** a type of a fund other than a specialized fund, the investment policy of which (in case of possessing sub-funds, including all of its funds) complies with the requirements of Chapter 6 of this Law, with the exception of non-diversified Standard funds;
 - 6) **Specialized fund:** a real estate fund, a subsidiary risk fund (a hedge fund), a securitization fund, a fund of funds, a private unit fund, including a venture fund, as well as another type of fund whose all or a certain minimum percentage of the assets, but not less than 30 percent, is subject to investment in specific types of assets.
 - 7) **Non-diversified fund:** a standard (specialized) fund (even that of one of its sub-funds, if such are available) the investment policy of which does not comply with the requirements of Chapter 6 of this Law (requirements defined by the RA laws or normative legal acts of the CBA for a particular type of standardized fund (except for

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- directly qualified investor funds) pertaining to diversification of asset investments);
- 8) **Contractual fund:** a pool of assets formed under the management contracts of a contractual investment fund envisaged by the Civil Code of the Republic of Armenia;
 - 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);
 - 10) **Joint Stock Company with floating capital:** a joint stock company, the capital of which is not fixed and equals to the value of net assets of the fund at any given moment in time;
 - 11) **Joint stock company with fixed capital:** a joint stock company, which does not constitute a joint stock company with floating capital;
 - 12) **Open-end fund:** a type of a fund bound to redeem, upon such request of any of its participant, securities issued by the fund belonging to the given participant on any business day pursuant to the procedures defined by this Law;
 - 13) **Interim fund:** a type of a fund, which does not redeem securities issued by the fund on continuous bases, but which is bound to redeem securities issued by the fund belonging to any participant based on a claim of the given participant in accordance with the procedure established by this Law within the time period stipulated in the charter (rules) of the fund;
 - 14) **Close-end fund:** a type of fund with no obligation for redemption of securities issued by the fund as claimed by the participant who owns such securities except for cases provided for by this Law;
 - 15) **Sub-fund:** a separated pool of assets under the same fund, which has common activity rules, but distinguishes from other asset pools of the fund by its investment policy, income distribution policy, fund unit distribution and/or redemption fees, currency of assets, manager's reward, or all of their combination;
 - 16) **Fund unit (share):** a nominal investment security issued by the contractual fund, which assures thereupon its owner's right of equity interest in the fund assets (hereinafter referred to as unit);
 - 17) **Fund asset:** funds collected as the result of the sale of the fund's units (shares), and permitted under this Law assets in which the collected funds and proceeds achieved under the management have been invested, as well as other funds as established by this Law;
 - 18) **Liquid asset:** money or other asset, which in a short period of time can be converted to a currency without substantial losses to its owner;
 - 19) **Net asset value of the fund:** the difference of total market value of the fund assets

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and the value of liabilities assumed by the fund (at the expense of assets of the contractual fund, by its manager) in cases and in the manner established by this Law and rules (charter) of the fund;

- 20) **Calculation value of unit (share):** value which is equal to the ratio of net asset value of the fund (sub-fund) to total number of distributed and not repurchased units (shares) of the fund (sub-fund);
- 21) **Fund participant:** the owner of securities issued by the fund pursuant to this Law;
- 22) **Fund manager:** a person licensed in accordance with the procedure established by this Law to undertake the fund management pursuant to this Law (hereinafter referred to as the Manager);
- 23) **Fund custodian:** a person providing custody services for fund's assets, which in accordance with this Law and other RA laws and based on the contract signed with the fund (its Manager) undertakes custody, maintains and registers fund's assets, provides services for asset management transactions and assets transfer thereof, as well as within the scope of its authority supervises the operations of the Manager of the fund, to the benefit of the fund's participants (hereinafter referred to as the custodian);
- 24) **Fund agent:** a person engaged in trading and/or repurchase (redemption) of units or securities, based on the contract signed with the Manager (hereinafter referred as the agent);
- 25) **Qualified investor fund:** a standard or specialized fund the issued units (shares) of which in the manner established by the Law or its rules (charter) may be offered only to:
 - 1) qualified investors, and/or
 - 2) investors who individually purchase units (shares) at a price higher (the total value of the obtaining units (shares) in the case of each offer) than the ratio defined by the CBA's normative legal act.
- 26) **Index fund:** a type of standard fund the objective of the investment policy of which is aimed at replication of the structure of index of particular shares or bonds ;
- 27) **Pension fund:** a fund, the funds of which are generated from the mandatory funded contributions (mandatory pension fund) or voluntary (voluntary pension fund) funded contributions collected in accordance with the procedure established by the Law of the Republic of Armenia "On Funded Pensions" and investments thereof, and the participants of which are paid (the funds corresponding to the share of the participant are returned) out of the fund's assets in the form of pensions after the participant has reached the retirement age, as well as in other cases stipulated by the Law of the

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Republic of Armenia "On Funded Pensions".

2. Other concepts used in this Law shall have the meaning as prescribed by the Civil Code of the Republic of Armenia and the Law of the Republic of Armenia "On Securities Market", unless some other meaning is derived specifically under the provisions of this Law.

SECTION 2

FUNDS AND UNITS (SHARES) ISSUED BY FUNDS

CHAPTER 2

GENERAL PROVISIONS ON FUNDS

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 5. Name of the Fund, Restrictions on Use of "Investment Fund", "Pension Fund", and their Derivatives

1. The funds organized in accordance with the procedure established by this Law shall not be entitled to use misleading words in their names that may lead to misinterpretation of the financial standing, legal status or activity implemented by the given fund.
2. The Name of a contractual fund shall bear its Manager's name. Funds managed by the same Manager may not bear the same name or confusingly similar to each other.
3. Entities without appropriate registration with the CBA shall be prohibited from using terms representing "Investment Fund" or "Pension Fund" or their derivatives, foreign language equivalents of those words spelled in Armenian, translations or analogies or use of names

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explicitly or implicitly describing activities of the fund as a business practice in their advertising, public offerings or otherwise in support of advertisement when use of the “Investment Fund”, “Pension Fund”, and their derivatives or names as specified above refers to investment fund or pension fund activities as prescribed by this Law or the Law of the Republic of Armenia “On Funded Pensions”, except for cases when the right for such usage is authorized by the Law or an international agreement.

Article 6. Location of the Fund

The location of a fund shall be considered the location of its Manager.

Article 7. Agent

1. The Fund may have an agent (agents).
2. The agent may be a person who is engaged in investment services in accordance with the Law of the Republic of Armenia “On Securities Market” and with whom the Manager has signed a contract on providing services stipulated in clause 3 of this Article.
3. The agent shall carry out trading and/or repurchase (redemption) of units or shares on behalf of the fund (in case of contractual fund, its Manager) and at the expense of the fund through receipt of appropriate applications and their transfer to the Manager and/or through receipt, transfer and payment of funds, by stating in case of a contractual fund, that he acts as the agent of the fund.

Article 8. Non-Public Fund

1. A non-public corporate fund should not have the organizational-legal form of an open joint stock company.
2. Non-public funds shall not engage in placement of units (shares) to public.
3. Participants of non-public funds shall be limited to 49 at maximum. In cases when the number of participants goes over 49 the non-public fund shall, within a period of 90 calendar days, be reregistered as a public fund pursuant to the general procedure stipulated by this Law or reduce the number of participants accordingly, or if otherwise, be subject to liquidation by the court.
4. As requested by the CBA the non-public fund shall submit the reports specified under Article 92 of this Law to the CBA.
5. Registration of amendments and/or additions made to non-public funds (contractual fund

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rules), their charter (rules) as well as procedures, terms and conditions of non-public funds reorganization, alteration (change in type or character of business) and liquidation (termination) shall be performed pursuant to relevant clauses on investment funds qualified in accordance with Articles 21 and 22, Clauses 3, 4, 5 of Article 23, Clauses 4, 5, 6 of Article 24, as well as Section 8 of this Law, except for acts related to reorganization, change of the type of the fund, as well as the legal grounds for liquidation (termination). However, provisions of this clause shall be applicable to non-public funds solely on the part of the custodian, if an appropriate separated custodian is available, whereas, on the part of the Manager, they shall apply to those persons who are authorized for executive management of a non-public fund (regardless if it is recognized as a Manager by law). Moreover, while the non-public fund is registered, information on such Manager shall be filed with the CBA as prescribed by the CBA normative legal acts. Any information changes relating to the Manager shall also be advised to the CBA within ten calendar days upon the day of their occurrence.

Article 9. Non-diversified Fund

1. The rules (charter) of a non-diversified fund shall contain a mentioning about the fact of its being a non-diversified fund.
2. A non-diversified fund is considered as a qualified investor fund.

Article 10. Contractual and Corporate Funds

1. The contractual fund is managed by the Manager based on the fund rules (and fund management contracts) stipulated there under.
2. The contractual fund participant's right of ownership on the fund assets shall be limited to the right of selling or transferring the unit in their possession to legal successor of shares, receiving dividends on the profits resulting from management of the fund's assets, as well as in the event of termination of the fund, receiving their share of the fund assets in accordance with the procedure and conditions defined by this Law. For a close-end fund participant, the right of ownership of the fund shares shall also be expressed in the right of making suggestion and taking decisions regarding the asset management of the fund within the scope of authority of the general meeting granted by this law and/or fund rules, by a respective number of votes in proportion to the number of shares in the possession of the participant and their accounting price given the right of participation in the fund meeting, except for the cases established by Article 50, clause 6 of this Law.
3. The assets of the contractual fund, securities, other property or the title thereof purchased by

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the assets are separately registered in the Manager's name, without the Manager acquiring ownership.

4. The Contractual fund manager shall conclude fund management transactions in its name, stating, that it acts as a Manager of the given fund and that the liabilities undertaken thereof are fulfilled exclusively at the expense of the fund assets.
5. Procedures, terms and conditions set for contractual fund's Manager with respect to management liabilities (including the scope of responsibilities thereof) shall be in compliance with the respective provisions of the Civil Code of the Republic of Armenia prescribed for contractual fund manager, as a party of a contractual fund management contract.
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 11. Open-end, Close-end and Interim Funds

1. An open-end fund may act solely as a contractual fund or a joint stock company with a floating capital.
2. Close-end and interim funds may be organized either as contractual funds or joint stock companies with fixed or floating capital and in case of funds with subsidiary risk and private unit funds, including venture funds - also in the form of trust partnership. The interim corporate fund, the time period for repurchase of securities of which, as defined by its charter, is stipulated for no more than once a year, may not have the organizational- legal form of a joint stock company with floating capital.

Article 12. Sub-funds

1. Funds may be divided into sub-funds.
2. Rules of the fund shall specify the available sub-funds and peculiarities of investment policies, income distribution policy, fund unit distribution and/or redemption fees, currency of assets of sub-funds and the Manager's reward of each sub-fund (if available).
3. Each participant of each sub-fund may claim only for assets of his/her sub-fund. A sub-fund shall be considered a separate contractual fund as provided by Article 10, clauses 4 and 5

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of this Law.

4. The Manager may revise the investment policy of a sub-fund or merge one sub-fund to another sub-fund of the same fund in accordance with the rules pertaining to alteration of types of contractual funds and accession stipulated by this Law, by introducing relevant changes in the rules of the fund.
5. In the case when within 6 months after registration of the fund rules (effective date of the amendments introduced in the fund rules for the purposes of establishing a sub-fund), the net asset value of the sub-fund fails to reach the minimum amount set forth by this Law, or a decrease of the net asset value of the sub-fund below the minimum amount set forth by this Law for a period of 60 calendar days, or a decrease of the net asset value of the sub-fund to less than $\frac{1}{2}$ of the minimum amount set by this Law are recorded, the sub-fund shall be subject to termination and assets returned to its participants pursuant to the procedure for termination of contractual funds defined by this Law.
6. Provisions of this Law relating to the calculation of a fund's net asset value and the accounting price of a unit, their disclosure and distribution and repurchase (redemption) fees shall be duly applicable to calculation of a fund's net asset value and the accounting price of a unit, their disclosure and distribution and repurchase (redemption) fees.

Article 13. Participation in the Fund

1. Participation in the fund shall be conferred by fund units or fund shares.
2. The share of the fund participant is determined by the ratio of the shares in the possession of the participant to the total number of all the shares of the given fund in circulation.
3. If the contractual fund has shares of different classes the share of the fund participant is determined by multiplying the ratio of the shares in the possession of the participant to the total number of all shares in circulation of the given fund by the net asset value of the ratio of all the shares of the given type to net assets of the fund.
4. Participation in the fund shall be prohibited for the fund custodian, registrar of the fund participants (if this function is carried out by a person other than the fund manager), independent auditor of the fund and persons affiliated to them.
5. Unless otherwise stipulated in the law regulating the activity of the appropriate type of fund, units (shares) issued by a non-diversified fund, a specialized fund, except for a real estate fund, a securitization fund, and a fund of funds, , may be offered only to:
 - 1) qualified investors;
 - 2) investors who individually purchase units (shares) at a price higher (the total value of the obtaining units (shares) in the case of each offer) than the ratio defined by the CBA's

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normative legal act.

Article 14. Preference Right

The fund (with the exception of a fund organized as a trust association) participants shall not have the preference right for newly issued units (shares).

Article 15. Transferability of Units (Shares)

1. In accordance with the rules (charter) of the close-end fund the right of the fund participants to trade with the shares under their possession in the regulated market shall not be limited.
2. Unit (shares) of the close-end fund is subject to mandatory listing in the regulated market.
3. Shares of pension fund may be transferred to another person solely in the manner of heritage as prescribed by the Law of the Republic of Armenia "On Funded Pensions".

Article 16. Net Assets of the Fund

1. Minimum value of net assets of the fund, as well as each sub-fund shall be defined by the CBA normative legal acts. This requirement shall be effective 6 months after registration of the fund (the fund rules) (effective date of the amendments introduced in the fund rules for the purpose of establishing a sub-fund).
2. The procedure of net asset value calculation of the fund shall be defined by a normative legal act of the CBA.
3. The total calculation value of fund-distributed and non-purchased unit (shares) shall always be equal to net asset value of the fund.
4. The Manager shall, upon decrease of the net asset value of the fund (sub-fund) to less than the minimum amount specified under clause 1 of this article, immediately notify the CBA and take actions aimed at eliminating the violation in the shortest possible period of time.

Article 17. Fees Charged and Expenses Made at the Expense of the Fund Assets

1. Only fees (including rewards/bonuses to the Manager or custodian and fund taxes) stipulated by this Law shall be allowed to be paid out of the fund assets.
2. Only expenses incurred in direct relation to management or custody of the fund and

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stipulated by the fund rules (charter), as well as those explicitly defined by this Law shall be paid out of the fund assets.

3. Payments and expenses specified under clauses 1 and 2 of this article may not exceed the maximum limits defined by the fund rules (charter).
4. The normative legal acts of the CBA may define maximum limits to fees and expenses specified under clauses 1 and 2 of this article. Depending on the type of fund, these limits may be different.

Article 18. Fund Dividends

1. The fund (except for the pension funds) may distribute to its participants net profit received by the fund in the form of dividends: money and/or, if stipulated by the fund chart (rules), own units (shares).
2. No reserve capital shall be established by a corporate fund.

Article 19. Split of Fund Assets and Segregating of Shares

1. It is prohibited to split the fund assets or segregate any of its participant's shares there from, except for cases defined by this Law when the fund assets are distributed among the participants conditioned by termination of the fund.
2. Where the fund participant is short of other property a seizure for its liabilities may be applied against its unit(s) (excluding mandatory pension fund units) under the condition of compensating the difference in the calculation value of the unit and the liability of the given fund participant, less the costs for placing the unit for sale, including representation costs related to buying back of the unit.

Article 20. Reorganization of the Fund

Funds established under this Law may be reorganized only to another fund stipulated by this Law. A public fund may not be reorganized to a non-public fund. A pension fund may not be reorganized into another investment fund that is other than a pension fund.

CHAPTER 3

ESTABLISHMENT OF THE FUND AND LEGAL GROUNDS FOR ITS ACTIVITY

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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.

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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 23. Corporate Fund Charter

1. The corporate fund's charter shall, in addition to the requirements to charters of legal entities set for entities of the given legal-organizational type by the Civil Code of the Republic of Armenia and the RA Law on Joint Stock Companies, incorporate:
 - 1) Type of fund (by its investment policy, share issuance and repurchase structure) and

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- its status (contractual fund).
- 2) Investment policy of the fund, including investment directions, limits and other specific restrictions (geographical, branch, etc), brief description of investment risks;
 - 3) Objectives of transactions with derivatives, types and limits of permitted derivatives, maximum permitted risks and the method of their calculation, provided that the fund charter allows investment of the fund assets in derivatives;
 - 4) Procedures, terms and conditions of issuance, distribution and repurchase (redemption) of the fund shares, as well as suspension of such issuance, distribution and repurchase (redemption).
 - 5) Income distribution policy of the fund;
 - 6) Types of bonuses/rewards and other payments made to the Manager and custodian out of the fund assets, the size and method of calculation of such payments,
 - 7) Types and maximum amount of costs incurred at the expense of the fund;
 - 8) Procedure, terms and conditions of determining and public announcement of the calculation value of the fund shares and issue and repurchase (redemption) prices of the fund shares;
 - 9) Procedure for assessment of the fund assets and calculation of the net asset value of the fund;
 - 10) Procedure, terms and conditions of substitution of the Manager and custodian;
 - 11) List of fund management functions that could be delegated to a third party (if such is stipulated);
 - 12) Procedure of dissemination of information;
 - 13) Procedures for amending of the fund's charter;
 - 14) Procedures for transformation of the type and organizational structure of the fund, as well as reorganization and liquidation thereto;
 - 15) Other provisions stipulated by this Law.
2. Other provisions and information may be stipulated by the CBA normative legal acts for inclusion in the charter of open-end corporate funds.
 3. Amendments and/or additions to the charter of the fund shall be submitted to the CBA within a 10-day period. These amendments and/or additions shall be subject to registration by the CBA Board in compliance with the procedure provided under the CBA normative legal acts and become effective as of the date of registration with the CBA. Changes in the capital of open-end corporate funds resulting from share issuance and repurchase (redemption) shall not require amendments to the charter.
 4. The CBA may deny registration of amendments and/or additions to the charter of the fund if they contradict the laws, other legal acts adopted there under and/or do not represent

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interests of the fund participants.

5. Provisions on registration of amendments and/or additions to fund charter prescribed by clauses 3 and 4 of this article shall not be applicable to the qualified investors' funds and amendments and supplements to charters thereof shall be registered by the CBA Chairman's decision within three business days after their submission to the CBA, without the need for check up of their content, unless fund participant demands the CBA to check their compliance to the acting laws and other legal acts adopted there under.

Article 24. Contractual Fund Rules

1. The rules of contractual funds shall at least include:
 - 1) Name and term of activities of the fund (if the duration of the fund is limited to a certain period), names and locations of the Manager, custodian and register of the fund participants (provided it is a person other than the Manager);
 - 2) Type of fund (by investment policy and share issuance and repurchase (redemption) structure), and its status (contractual fund);
 - 3) Investment policy of the fund, including investment objectives, limits and other specific restrictions (geographic, branch, etc), brief description of investment risks;
 - 4) Objectives of transactions with derivatives, types and limits of permitted derivatives, maximum permitted risks and method of calculation, provided that the fund rules allow for the investment of the fund assets in derivatives;
 - 5) Classes of units (shares) and rights conferred thereby, as well as nominal value of the unit (share) (as available);
 - 6) Income distribution policy of the fund;
 - 7) Types of rewards/bonuses and other payments made to the Manager and custodian of the fund from the fund assets, as well as the size and method of calculation of such payments, types and maximum amount of costs incurred at the expense of the fund;
 - 8) Procedures, terms and conditions of determining the calculation value of the unit as well as unit (share) issue and repurchase (redemption) prices and their public disclosure;
 - 9) Procedure of evaluating assets of the fund and calculating net assets of the fund;
 - 10) Procedure of dissemination of information;
 - 11) Procedure for amending of the fund rules;
 - 12) Procedure, terms and conditions of substitution of the Manager or custodian;
 - 13) Fund management functions that could be delegated to a third party (if such is stipulated);
 - 14) Procedure and terms and conditions of issuance, distribution and repurchase

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- (redemption) of units (shares), as well as for suspension of issuance, distribution and repurchase (redemption) of units (shares);
- 15) Procedure, terms and conditions of exchange of units (shares) if an opportunity for exchange of units is stipulated;
 - 16) Rights and obligations of the fund participants and the manager units;
 - 17) Minimum frequency of the general meeting of close-end fund participants, convocation and decision making procedures for the fund's general meeting, cases and procedure for convening an extraordinary meeting, as well as exclusive authority of the fund's general meeting or a mentioning about the fact that no meetings are held with the given fund;
 - 18) Procedures for changing the type, merger and termination of the fund;
 - 19) Other provisions stipulated by this Law.
2. The CBA normative legal acts may envisage other provisions and information to be incorporated in the charter of open-end contractual funds.
 3. Upon acquisition of the fund shares the fund rules shall be deemed accepted by the fund participant.
 4. In case of amendments and/or supplements to the rules of the fund, such amendments shall be submitted to the CBA within a 10-day period. The submitted amendments and/or additions shall be subject to registration with the CBA Board in accordance with the procedure provided for by a respective CBA regulation and shall become effective as of the date of registration thereof with the CBA Board, with the exception of the case stipulated in Article 71 of this Law.
 5. The CBA Board may deny registration of amendments and/or supplements to the fund rules if they contradict the laws of the Republic of Armenia and legal acts adopted there under and/or do not represent interests of the fund participants.
 6. Provisions on registration of amendments and/or supplements to fund rules prescribed by clauses 4 and 5 of this article shall not be applicable to qualified investor funds and amendments and/or supplements of rules of the later shall be registered through being approved by the CBA Chairman's decision within three business days after their submission to the CBA without the check up of their content, unless a fund participant demands the CBA to check their compliance to the acting RA laws and other legal acts enacted there under.

Article 25. Corporate Fund Management Contract

1. The contract concluded between the corporate fund and the Manager shall stipulate at least the following:

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- 1) Rights and obligations of the Manager, including rights and obligations of the fund's general meeting (if available) and custodian with respect to the Manager;
 - 2) Size of the Manager's bonus and method of its calculation;
 - 3) Composition, structure and market value of the assets conveyed to the Manager's management;
 - 4) Information subject to submission to the fund by the Manager;
 - 5) Grounds and procedures for amendment and termination of the contract.
2. The Manager may reject the corporate fund management contract only in the case stipulated in Article 71 of this Law.
 3. The corporate fund (with the exception of the fund having the organizational- legal form of a trust association) may unilaterally dissolve the fund management contract with the Manager only on the grounds specified under clause 4 of this article, provided, a prior consent of the CBA Board in compliance with the CBA normative legal acts is granted. If the grounds specified under clause 4 of this article do not exist the fund management contract signed with the Manager may be unilaterally dissolved by the corporate fund upon having the prior consent of the CBA and such dissolution of a contract shall occur no earlier than sixty calendar days after the decision was made by the fund general meeting. The CBA prior consent stipulated by this clause shall not be required in case of qualified investor funds.
 4. The corporate fund (with the exception of trust association) shall, upon request of the CBA, dissolve the fund management contract with the Manager within the timeframe defined by the CBA, for the purposes of protecting the interests of the fund participants, provided that the Manager failed to fulfill its obligations stipulated by this Law, the normative legal acts adopted there under or the fund charter or has frequently, deliberately or in gross violated the requirements stipulated therein.
 5. The corporate fund management contract shall terminate upon revocation of the Manager's license, or in case of pension fund, upon revocation of the respective permission, as well as upon liquidation of the fund.
 6. In the event amendments to the fund management contract are made, as well as when a fund management contract with a new Manager is signed such amendments (contract) shall be filed with the CBA within a 10-day period and shall be subject to registration by the CBA Board pursuant to the CBA normative legal acts and shall become effective as of the registration date, with the exception of the case stipulated in Article 71 of this Law.
 7. The CBA Board shall deny registration of the amendments to the contract or a new contract specified in clause 6 of this Article, provided such amendments are in conflict with the law or other requirements set forth by the normative legal acts adopted there under.
 8. Provisions on registration of amendments to fund management contract and the contract

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signed with the new fund manager prescribed by clauses 6 and 7 of this Article shall not be applicable to qualified investor funds, as they are subject to registration by approval of the CBA Chairman's decision within three business days after their submission to the CBA without the check up of their content, unless fund participant demands the CBA to check their compliance to the acting laws and other normative legal acts adopted there under.

Article 26. Contractual Fund Management Contract

1. Terms and conditions of the contractual fund management contract shall be defined by the fund rules.
2. Participation in the contractual fund management contract shall be possible through acquisition of units (shares) by the fund participant.
3. Contractual fund management contract shall terminate through disposal of units (shares) including repurchase (termination of the fund management contract) and termination of the fund.
4. The Manager may revoke the contract of the contractual fund management only in the case stipulated in Article 71 of this Law, as well as in cases stipulated in paragraph 5 of this article within the timeframe defined by the CBA.
5. The CBA may, on its initiative or by the solicitation of the custodian of the appropriate fund, request that the Manager revoke the contractual fund management contract, aimed for protecting the legal interests of the fund participants, provided the Manager failed to fulfill its obligations stipulated in this Law, the normative legal acts adopted there under or the fund rules, or has continuously or deliberately or severely violated the requirements set forth therein.
6. Except for cases stated in clauses 4 and 5 of this Law, upon the change of the manager, the contractual fund management contract shall be revised pursuant to this Law, as well when the Manager's license is revoked, or in the case of a pension fund - the appropriate permission is annulled, as well as when the management of the fund is transferred to another Manager and managed by the other Manager while acceding to another fund.

CHAPTER 4

UNITS (SHARES), ISSUANCE, CIRCULATION AND REDEMPTION THEREOF

Article 27. Units (Shares) of the Fund

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1. Contractual funds issue units (shares), which verify shares of the fund participants in the fund's assets.
2. The fund (with the exception of mandatory pension funds) may issue various classes of units (shares), which differ in their nominal value, number of votes conferred by the units (shares) (absence thereof), fees charged and income payable to the fund participants. Unit (shares) of different classes shall be distinguished by their name.
3. Units (shares) of the same class within the same fund shall provide similar rights to the owners thereof. If the unit (share) has a certain nominal value all units (shares) of the same class shall have the same nominal value.
4. A person may acquire an **incomplete** number of units (shares).
5. Corporate fund, which is a joint-stock company, may issue only simple nominal shares.
6. Units (shares) issued by open-end funds may have no nominal value.

Article 28. Issuance and Distribution of Units (Shares)

1. Units (shares) of open-end funds shall be issued on a continuous basis, ensuring their everyday offer in the primary market. The value and number of an open-end fund units (shares) are not fixed.
2. Except for the case stipulated in cause 3 of this Article, the unit (share) is distributed at the distribution price as of the date of filing a request for its acquisition (subscription) (however, not later than on the date of receipt of payment for the unit (share)) and, in case of filing the request after the timeline set forth by the fund rules (charter), at the distribution price of the publicized unit (share) fixed on the next business day following which the unit has been calculated in the manner provided by Article 29 of this Law. The requirement set forth in this clause shall be applicable to unit (share) distributed by the closed-end funds, unless other procedure is envisaged by the rules (charter) of the fund.
3. The distribution price of the first units (shares) of issuing fund shall be determined by the fund Manager.
4. Payments on units shall be made by cash.

Article 29. Calculation and Public Disclosure of the Calculation Value, Distribution Costs and Repurchase (Redemption) Prices

1. The open-end fund manager shall, by the end of each business day, determine and

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announce the calculation unit (share) value and distribution and repurchase prices of the fund it manages at a certain time set by the fund rules (chart).

The close-end (interim) fund manager shall determine and calculate the calculation unit value, distribution and repurchase prices of units (shares) of close-end (interim) fund managed by it, a business day prior to the day of distribution of units (the interim fund manager, also their repurchase), and during the share distribution period (share buyback time period) everyday at the close of business, at a certain time set forth by the fund rules (charter).

2. The minimum rate of frequency of (which could not be less than once a month) calculation and announcement of the calculation values, distribution and repurchase prices of units (shares) of close-end fund units (shares) shall be defined by the normative legal acts of the CBA, irrespective of the cases specified under clause 2 of this article. Moreover, the frequency specified in this clause should not be defined less than once on a monthly basis.
3. The announced distribution and repurchase prices of the unit (share) (with the exception of the issue price of additionally placed units (shares) by close-end fund) shall be appropriate to their calculation value calculated at the announcement, as regarded to clauses 5 and 6 of this article. Additionally placed unit (share) by the closed-end fund shall have an announced distribution price not lower than its calculation value calculated at the moment of announcement.
4. The announced distribution price of unit (share) may exceed the calculation value calculated at the announcement in proportion to charges (premiums) and expenses prescribed by fund rules (charter), except for the cases when these charges have already been calculated in fund (sub-fund) net asset value.
5. The announced repurchase price of unit (share) may be less than its calculation value calculated at the announcement in proportion to charges (discounts) and expenses prescribed by fund rules (charter), except for the cases when these charges have already been calculated in the fund (sub-fund) net asset value.

Article 30. Charges for Distribution and Repurchase (Redemption) of Units (Shares)

1. Fees (premiums, discounts) charged for distribution of units (shares) are paid at the expense of the person acquiring (repurchasing) the units (shares).
2. The amount of fees for units (shares) distribution and/or repurchase (redemption) shall be determined by the fund rules (charter) in the form of a percentage of the calculation value or

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a fixed amount. Upper limits for those fees may be defined by the CBA normative legal acts.

3. In the event if the fund proceeds are distributed in units (shares) issued by the fund no charge for distribution shall be levied.

Article 31. Exchange of Units

1. Units may be exchanged with units of a different class issued by the same fund or units of the same share issuance and repurchase structure of another fund managed by the same Manager, provided that the fund rules provide for the exchange of units. The pension fund shares may be exchanged by pension fund shares managed by another manager. Moreover, the mandatory pension fund shares may be exchanged only by mandatory pension fund shares, whereas the voluntary pension fund shares may be exchanged by voluntary pension fund shares.
2. Units of one sub-fund may be exchanged with units of another sub-fund of the given fund, in accordance with the rules of the fund.
3. Exchange of units shall be executed by the repurchase (redemption) and distribution prices in the manner established by this Chapter with respect to repurchase (redemption) and distribution of shares performed during the course of the given day (time), in the manner established by the fund rules of the last announced calculation value thereof. Exchange of units shall be executed only upon such claim of a fund participant.

Article 32. -Repurchase (redemption) of Units (shares)

1. An open-end fund participant shall be entitled on each business day to propose the shares under their possession to the respective fund for their redemption. Open-end funds shall upon such claim of the fund participants buy back (redeem) units (shares) of the given fund within the timeframe stipulated by the fund rules (charter). This period shall start from the date such claim for repurchase (redemption) is filed by the fund participant and shall not exceed 3 business days.
2. An interim fund shall upon the claim of the fund participant buy back (redeem) units (shares) issued by the fund within the time periods established in the rules (charter) of the fund, no later than three business days upon receipt of petition for repurchase (redemption). The period for submission of repurchase request to the interim fund shall not be less than three business days, and the frequency of repurchase interval, no less than once on an annual basis.

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3. Participants of a close-end contractual fund, having voted against the accession of the fund in the fund general meeting, as well as amendments or supplements to the fund rules limiting their rights, or who did not participate in the voting on that matter, as well as in the cases specified under Article 71 of this Law, shall have the right to submit a claim on the repurchase of their units in accordance with the procedure and conditions defined by the Law of the Republic of Armenia "On Joint Stock Companies", unless otherwise specified in this Law, also by considering the peculiarities of the contractual fund.
4. Shares of a close-end corporate fund are subject to buyback in accordance with the procedure and conditions specified in the Law of the Republic of Armenia "On Joint Stock Companies" and Article 71 of this Law.
5. The unit (share) of a fund is subject to repurchase (redemption) by the fund participant at the repurchase price announced as of the close of business of the day, and if stipulated by rules (charter), on the next business day, when such a claim of the fund participant for repurchase (redemption) was filed after the time defined by the fund rules (charter) and which is calculated in the manner prescribed by Article 29 of this Law.
6. When repurchasing (redemption) of units (shares) the repurchase (redemption) price shall be paid out of the fund assets in cash.
7. The repurchased unit (share) shall neither confer a voting right, nor is accounted for in calculation of votes or share calculation value, and dividends. The redeemed unit (shares) shall not be resold and shall be subject to redemption.
8. In the event of repurchase (redemption) of units (shares) of pension funds, the amount to be paid to the fund participant as specified by this Article shall not be paid to the person who has filed for repurchase of those units (shares), but rather other pension fund units (shares) sought by the latter during the repurchase shall be bought on its behalf, unless other rules are stipulated with respect to pension fund units (shares) repurchase by the Law of the Republic of Armenia "On Funded Pensions".

Article 33. Suspension to Issuance, Distribution and Repurchase (Redemption) of Units (Shares)

1. The CBA may, on its decision, instruct the Manager (corporate fund) to suspend the issuance, distribution or repurchase (redemption) of units for a period set by the aforementioned CBA decision but in no event for longer than the time designated for elimination of reasons causing such a decision, in the event if the requirements set forth by the RA laws and normative legal acts based thereon are or may obviously be violated, or for purposes of protection of investor rights.

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2. The Managers of open-end or interim funds may, in the cases defined by the fund rules (charter) based on the grounds stipulated by the CBA, suspend the repurchase (redemption) of units (shares) for a maximum period of 3 months by giving the CBA and the custodian prior notice on suspension of repurchase (redemption) of units (shares), by listing the grounds thereto, as well as by publishing the respective information in a printed media with a minimum of 3000 print runs circulated throughout the Republic of Armenia. The requirement for notification and publication specified in this clause shall not apply to qualified investor funds.
3. Rules of specialized funds may define a longer suspension period to repurchase (redemption) of units (shares), but no longer than 6 months, while for qualified investor funds this period may last up to one year.
4. The CBA may, at its discretion or at the custodian's solicitation, order the Manager to resume the repurchase (redemption) of fund units, provided the reasons specified under clause 2 of this Article are missing or have been already eliminated.

Article 34. Prohibiting the Issuance and Repurchase (Redemption) of Units (Shares)

1. Issuance and repurchase (redemption) of units (shares) shall be prohibited for the period when:

- 1) The fund does not have a Manager or a custodian;
- 2) The Manager or custodian are recognized bankrupt and/or are under a liquidation process;
- 3) The fund is under termination (liquidation) process.

SECTION 3

INVESTMENT POLICY OF THE FUND

CHAPTER 5

PRINCIPLES OF INVESTMENT OF THE FUND ASSETS AND RISK MANAGEMENT

Article 35. Principles of Investments of the Assets

1. The fund assets shall be invested only in the assets allowed by the rules or charter of the fund, by taking into consideration the requirements to investment policy of a particular

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type of fund set forth by this Law.

2. The fund investments shall be sufficiently diversified for the given type of the fund in order to ensure an effective risk distribution.

Article 36. Risk Management

1. The Manager shall employ such a system of risk management, which will enable control and assessment of risks on positions and their share in the overall risk exposure of the fund's portfolio. The Manager shall introduce adequate measuring tools to effectively and independently evaluate the value of out-of-market outstanding derivative instruments.
2. Requirements of the risk management system shall be defined by the CBA.
3. The Manager shall make sure that the total risk of derivatives in which the fund assets were invested are less than the net asset value of the fund, except for additional risk funds. Moreover, calculation of risks envisaged by this clause shall take into account the current value of assets of such derivatives, also the risks related to the party of the transaction, current operations in the market and the time of closing the position in market.

Article 37. Restrictions on Investment of the Fund Assets and other Requirements on Fund Asset Investment

1. Fund assets may not be invested in securities issued and/or sold and other assets owned by the fund manager, custodian and their managers, registrar of the fund participants, independent auditor of the fund or persons affiliated thereto, except for the cases stipulated by clause 2 of this article.
2. Fund assets may be invested in other fund units (shares) (directly or as delegated) by the Manager (or persons affiliated thereto) of the fund only upon satisfaction of all the conditions indicated below:
 - 1) Investment policies of the funds differ substantially,
 - 2) Such a possibility is stipulated by the fund rules (charter),
 - 3) The Manager does not charge distribution and/or repurchase (redemption) fees for it.
3. A fund manager who invests a significant part of assets in other fund units (shares) shall disclose in the prospectus of that fund the upper limit of management fees which could be charged by those Managers in whose units (shares) the fund assets are planned to be placed. The fund manager shall also indicate in its annual statement the maximum ratio of management fees to be levied by itself and by those Managers in whose fund units (shares) the fund assets have been invested.

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4. Fund assets may not be invested in share securities of non-commercial organizations.
5. No borrowing or lending may take place at the expense of the fund assets, as well as no guarantee can be taken or made at the expense of the fund assets by the persons specified under clause 1 of this Article.

CHAPTER 6 INVESTMENT POLICY OF A STANDARD FUND

Article 38. Investment Policy of Standard Funds

The requirements set forth under this Chapter shall apply exclusively to standard funds other than qualified standard investor funds.

Article 39. Restrictions on Borrowings and other Transactions

1. Fund assets shall not be generated from borrowed funds, except for the cases stipulated under clause 2 of this Article. The fund assets may not be organized through the sale of securities envisaged in Article 40 of this Law or other financial tools, which the fund does not possess at the moment of concluding the transaction (short sale).
2. The Manager may borrow funds in the amount of less than 10% of the fund's assets, for which borrowings are attracted, if:
 - 1) The attracted funds are short-term (maximum maturity of 3 months) borrowings;
 - 2) The borrowed funds will be allotted to purchase real estate absolutely necessary for the corporate fund activities.
3. Unless otherwise provided in this Law, the fund assets shall not be allotted for lending purposes and/or provision of guaranties and/or assumption of surety.
4. The fund assets shall not be pledged and/or serve as security for other liabilities. The requirement specified in this clause does not limit the right of signing repo (reverse repo) transactions at the expense of the fund assets, if this is specified in the fund rules (charter) and if such transaction does not violate the limits set forth in this Chapter.

Article 40. Investments of the Fund Assets

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1. The fund assets may be invested only in the following assets:
 - 1) Securities (hereinafter in this Chapter securities) defined in items (a), (b) (c) and (f) under clause 1 of Article 3 of the Law of the Republic of Armenia “On Securities Market” which are permitted to trade in the regulated markets of the Republic of Armenia or foreign regulated markets included in the list of countries defined by the CBA;
 - 2) Securities permitted to trade in regulated markets of foreign countries not stated under item 1) of this clause, provided the given regulated market is open for the public, operates on a regular basis and is identified by the rules (charter) of the fund;
 - 3) Newly issued securities which should be permitted to trade in the regulated market specified under items 1 or 2 of this clause as defined in their terms of issuance and/or offer, within 12 months after their issuance.
 - 4) Money market instruments other than those specified under items 1) and 2) above:
 - a. If issued or guaranteed by the RA Government, CBA, RA local communities, international organizations or foreign countries or Central Banks, local governments of such foreign countries included in the list defined by the CBA;
 - b. If any security of their issuer are permitted to trade in the regulated markets specified in items 1) and 2) above;
 - c. If issued or guaranteed by an organization meeting the requirements set forth by the normative legal acts of the CBA;
 - 5) Shares and units of open-end standard funds operating within the territory of the Republic of Armenia or foreign open-end standard funds which comply with the requirements of the CBA normative legal acts.
 - 6) In the form of bank specified term deposits or deposits with a maturity of up to one year in banks operating within the territory of the Republic of Armenia or foreign banks which comply with the requirements of the CBA normative legal acts.
 - 7) Derivatives permitted to trade in regulated markets of the Republic of Armenia or regulated markets operating in foreign countries defined in items 1 and 2 of this clause.
 - 8) Derivatives traded outside the regulated market:
 - a. subject of which are securities, bank deposits, fund units or shares, exchange indexes, interest rates or foreign exchange or currency in which the fund may invest assets according to its rules or charter;
 - b. if the other party of the transaction with such derivatives is subject to financial supervision, and

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- c. if the value of such derivatives may be accurately estimated on a daily basis and which may be sold at a fair price anytime as initiated by the fund (closure of position by offset transaction);
 - 9) Other liquid assets as provided by clause 2 of this Article in compliance with the CBA Board requirements.
 - 10) Securities not specified in items 1 through 9 of this clause with total value of less than 10 percent of total fund assets value.
2. Open-end fund assets may not be invested in precious metals or securities conferring the right to purchase them.
3. Corporative fund assets may be allotted for acquisition of real estate and/or movable property directly needed for operation of the fund, provided the total value of such investment does not exceed 15 per cent of the fund assets.
4. The CBA normative legal acts may define other detailed requirements regarding provisions of this Article, as well as other economic norms for the fund operations, including temporary activity. In the cases stipulated by the CBA normative acts such economic norms may not apply to newly established funds within one year upon their date of foundation. In case of violation of economic norms stipulated by this Law and the CBA normative acts stated thereto, the Manager shall notify the CBA within three business days (unless other shorter term is stated by this Law) and shall take measures to eliminate such violations in an earlier period of time.

Article 41. Distribution of Risks Related to Investment of the Fund Assets

1. Restrictions on investing of the fund assets in the instruments authorized by Article 40 of this Law shall be determined by the CBA normative legal acts. Such restrictions may relate to:
 - 1) The maximum quantity of the fund assets which may be invested in securities issued by one and the same issuer or by the issuer pertaining to the same group or by affiliated persons, including investment by share classes;
 - 2) The maximum value of securities issued by one and the same issuer or by the issuer pertaining to the same group or by affiliated persons, which could be acquired by the fund, including by share classes;
 - 3) The maximum value of the fund assets which may be placed in a bank as a deposit;
 - 4) The total volume of risks under the derivatives contract signed with a single person or by the person pertaining to the same group or by affiliated persons, with respect to the

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- fund assets, depending on the type of the party to the transaction;
- 5) Terms and conditions and maximum quantities of investments made in other funds units or shares;
 - 6) The maximum quantity of a ratio of total value of securities issued by a single issuer or by the issuer pertaining to the same group or by affiliated persons, bank deposits invested, derivatives signed by such person to the assets value of the fund;
 - 7) Other restrictions including those for temporary operation.
2. The restrictions specified under clauses 1 of this Article may not apply to the newly established standard funds within one year starting from the date of their creation, if it is prescribed by CBA normative legal acts.
 3. The CBA normative legal acts may state cases of restrictions that are deviated from those prescribed by clause 1 of this Article, and the minimum terms and conditions of their elimination.
 4. Restrictions stipulated by clauses 1 and 2 of this Article may vary for those of index and money market funds.

Article 42. Investment Peculiarities of the Index Funds

1. Indexes of shares or bonds, the structure of which replicates the index fund, shall meet the following requirements by ensuring:
 - 1) A substantially diversified structure;
 - 2) High representativeness to the given securities market;
 - 3) Publicized in a due manner.
2. In its normative legal acts the CBA may define detailed criteria on requirements for securities index that underlie with index fund assets investments as provided by clause 1 of this Article, as well as may stipulate further requirements pertaining to them.

Article 43. Investment Peculiarities of Money Market Funds

1. A money market fund is a type of standard fund, the assets of which may, in accordance with the fund rules or charter, be invested in only in money market instruments, short term bank deposits, derivatives, other fund shares and securities in the money market.
2. The CBA normative legal acts may define additional requirements to investment practices of money market funds pertaining to the banks, where bank deposits may be placed, as well as the derivative instruments, money market instruments and/or the issuers thereof.

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CHAPTER 7

INVESTMENT POLICY OF SPECIALIZED FUNDS

Article 44. Investment Requirements for Specialized Fund Assets

1. The Law or the CBA normative legal acts may define the following requirements for specific types of specialized funds which are not qualified investor funds:
 - 1) Minimum quantity of the fund assets in the form of liquid assets;
 - 2) Limitations by type and/or class of the asset;
 - 3) Maximum quantity of investments with the fund assets in securities not permitted to trade in the regulated market;
 - 4) Maximum amount of securities of the same class issued by a single issuer or by the issuer pertaining to the same group or by affiliated persons, which the fund may acquire;
 - 5) Maximum amount of the fund assets allowable to invest in securities issued by a single person or by the person pertaining to the same group or by affiliated persons,;
 - 6) Maximum amount of the fund assets allowable to invest in a separate property;
 - 7) Terms and conditions and maximum limits of investments in units and shares of other funds;
 - 8) Borrowing conditions and maximum limit of the borrowed funds versus total asset value of the fund;
 - 9) Other economic norms for the fund activity, including temporary activity.
2. Requirements may be set for the investment policy of the investors' funds qualified under the laws or the CBA normative legal acts that shall be less strict than for non-qualified investor funds, as well as economic norms in terms of their activity may be set, including the temporary activity.
3. The newly established specialized funds may be exempt from the requirements set forth under clause 1 or 2 of this Article in the cases stipulated by the CBA for a period of 1 year from the moment of its establishment.

Article 45. Investments of Assets of Real Estate Funds

1. Pursuant to the rules or charter of the real estate fund:
 - 1) at least 30 percent of the fund assets shall be invested in real estate; or
 - 2) at least 50 percent of the fund assets shall be invested in real estate and/or securities related to real estate.
2. Securities related to real estate as specified in clause 1 of this Article shall be considered:

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- 1) Units and shares of other real estate funds;
 - 2) Securities of other organizations which are mainly utilized for investments in the real estate or real estate management;
 - 3) Mortgage backed bonds issued by banks;
 - 4) Derivatives based on securities specified in items 1), 2) and 3) above;
3. Real estate acquired by a real estate fund shall be subject to compulsory insurance.

Article 46. Investments of Assets of Additional Risk Funds

1. Assets of additional risk shall, based on the rules or charter of the fund, mainly generate:
 - 1) From unlimited borrowings and unrestricted use of derivatives; and/or
 - 2) Sale of assets, which are not in the possession of the fund at the moment of transaction (short selling).
2. Additional risk funds shall be considered qualified investor funds.

Article 47. Investments of Venture Fund Assets

1. Pursuant to the rules or charter of private unit funds at least 50% of their assets shall be invested in securities not permitted to trade on the regulated market.
2. The private unit fund may operate as a venture fund, if according to the fund rules (charter) at least 50% of their assets are invested in securities issued by newly established organizations and organizations in the initial stage of their development, not permitted to trade in the regulated market, with the purpose of facilitating the growth, development and permission to trade in regulated markets of shares issued by such organizations.
3. In the event the minimal limit set forth in clauses 1 and 2 of this Article in terms of securities purchased by the fund as a result of their permission to trade in the regulated market is violated, those securities are subject to alienation by the fund within a one month period, until the limit set forth in clauses 1 and 2 of this Article is ensured.
4. Private unit funds (including venture funds) shall be considered qualified investor funds.

Article 48. Investments of Assets of Fund of Funds

Pursuant to the rules or charter of the fund of funds, at least 50% of its assets shall be invested in units and/or shares of other funds.

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SECTION 4
FUND MANAGEMENT AND THE MANAGER

CHAPTER 8
FUND MANAGEMENT

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

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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 50. The Close-end Fund General Meeting

1. The closed-end fund general meeting shall be convened at least once on an annual basis for the purposes of taking decisions on issues envisaged by clause 3 of this Article or the fund rules, participation to which shall be open for all fund participants in exercise of their votes conferred in reference to the number and calculation value of units held thereby, as well as other persons as stipulated by the fund rules.
2. Extraordinary meetings may be convened upon request of the fund participant (s) holding at least 10 percent participation in the fund.
3. Decision making regarding the following issues shall be regarded as the exclusive power of the fund general meeting:
 - 1) Election of the representative for the fund participants in the Manager’s board of directors and early termination of his/her authorities, except for the cases when such a representative is elected in accordance with the fund rules;
 - 2) Appointment of the independent auditor of the fund;
 - 3) Formation of the counting committee and adoption of the procedure for conducting the general meeting;
 - 4) Decision-making regarding amendments of the custody contract of the fund and its termination in accordance with the procedure specified in this Law, as well as approval of the custody contract with a new custodian.
 - 5) Approval of amendments and/or supplements to the fund rules as approved by the Manager’s board of directors.
 - 6) Approval of decisions made by the Manager’s board of directors with respect to accession and termination of the fund, as well as approval of interim and termination balance sheets.
4. The decision-making power of the close-end contractual fund meeting on the matters specified

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in clause 3 of this Article may not be delegated to the Manager.

5. 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 close-end fund's general meeting, as well as other relationships thereto, unless otherwise stipulated by this Law, as well as in consideration of specifics of the contractual fund.
6. The requirements of this Article shall not apply to the closed-end contractual funds, the rules of which explicitly provide that no general meeting shall be held at the given fund.

Article 51. Fund Management

1. Fund management is the process of addressing issues by taking actions related to the activity of the fund, with the exception of authorities conferred to the fund's general meeting (if available) by this Law and/or the rules (charter) of the fund. Fund management includes:
 - 1) Management of investments entailing decision making regarding investments of the fund assets i within the framework of the fund's investment policy and implementation thereof;
 - 2) Executive functions:
 - a. Organizing of issuance and repurchase (redemption) of units or shares;
 - b. Organizing legal functions in relation to the fund management and accounting;
 - c. Calculation of the net asset value of the fund, as well as the calculation values of units or shares and issue and repurchase (redemption) prices;
 - d. Maintenance of the register of fund participants;
 - e. Determining the fund's income and arranging distribution of income among the fund participants;
 - f. Acting as a tax agent in regard to income for the fund participants of the contractual fund, as well as on the dividends received from securities issued by corporate investment funds and on income received from the buyback of those securities.
 - g. Furnishing the fund participants with relevant information;
 - h. Other executive functions, and
 - 3) Organizing offering and distribution of units and shares (marketing).
2. For the purposes of this Law, fund management shall also mean pension fund management, unless it is specified in a given provision that funds exclusively other than pension funds are meant.
3. Management of one and the same fund shall be performed only by one Manager.
4. The Manager may manage more than one funds. Contractual funds managed by the Manager shall differ in type, investment policy, fund participants' rights based on their shares, and/or the restrictions of the scope of fund participants.

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5. For the purposes of this Law fund management shall mean only management implemented by the fund manager, with the exception of fund management implemented by fund general meeting stipulated in Article 49 of this Law.

CHAPTER 9

The Manager

Article 52. The Manager

1. The Manager shall be organized or created as a joint stock company or limited liability company.
2. The Manager is established with the purpose of conducting fund (including a non-public fund) management functions and shall not perform other activities, with the exception of the cases stated under clauses 4 and 5 of this Article.
3. The Manager who manages a pension fund shall, apart from a fund management license, receive under this Law a respective permission for voluntary or mandatory pension fund management. The Manager who has been authorized for pension fund management shall need no additional permission for a voluntary pension fund management.
4. If permission is received in accordance with this Law, the Manager may, together with the fund management, perform services in terms of securities package management as prescribed in Article 25, Clause 1 (5) of the Law of the Republic of Armenia "On Securities Market".
5. The Manager may, if authorized by this Law, be entitled to provide additional services as follows:
 - 1) Advisory services under Article 25 Clause 1 (3) of the Law of the Republic of Armenia "On Securities Market" with respect to investments in own managed securities, and/or
 - 2) Custody of units or fund shares.
6. The Manager shall be prohibited from receiving permission on delivering the additional service(s) indicated in clause 5 of this Article without having received the permission for delivering the service(s) specified in clause 4 of this Article.
7. Upon delivering of the services specified under clause 3 or 4 or clauses 4 and 5 of this Article, the requirements to delivering of services shall apply to the Manager, with the exception of the requirement to licensing.
8. The Manager shall not include in its name such disorienting words, which may create misperceptions about the financial performance, legal status or activities of the Manager.
9. Entities without appropriate registration with the CBA shall be prohibited from using the term "Investment Fund Manager" and its derivatives, as well as foreign language equivalents of those words spelled in Armenian, translations or analogies or names explicitly or implicitly describing activities of the fund in their advertising, public offerings or otherwise in support of advertisement

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when the use of the term “Investment Fund Manager”, its derivatives or names as specified above refers to the fund management activity as prescribed by this Law, except for cases when the right for such usage is conferred by RA laws or an international agreement.

10. The requirements set forth by this Law or normative legal acts adopted based on it shall also apply to branches of foreign managers established within the territory of the Republic of Armenia, unless otherwise stipulated by this Law or normative legal acts adopted on the basis of it or except for cases when the legal requirement explicitly gives no reference to branches of foreign managers established within the territory of the Republic of Armenia.

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

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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

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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 4 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.

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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;

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- 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 57. Re-registration and Re-licensing of Investment Company as Manager

1. The investment company, which implements management of securities package prescribed by clause 1 (5) of Article 25 of RA Law “On Securities Market”, shall be subject to re-registration and relicensing as manager in accordance with procedure prescribed by this Article. The re-registration and relicensing established by this clause shall be implemented in a simplified procedure.
2. In order to reregister and relicense as stipulated by clause 1 of this Article, the investment company shall submit to the CBA in accordance with the form and procedure prescribed by the CBA normative legal act:
 - 1) A petition for re-registration and relicensing;
 - 2) A petition for permit on service (services) rendering stipulated by clauses 3 and/or 4 or 4 and 5 of Article 52 of this Law (if the Manager will render also the relevant service/s) and has not received the relevant license for investment company);
 - 3) A petition on revoking the provision of the Manager license regarding investment services that may not be provided by the Manager as defined in this Law (in the event a license has been granted for such services);
 - 4) The Manager’s Business Plan;
 - 5) Relevant amendments made in its charter;
 - 6) A document issued by the CBA, which certifies that the size of the Manager’s statutory capital meets the minimum capital requirement;
 - 7) A receipt of state duty payment;
 - 8) Other documents stipulated by the Law of the Republic of Armenia “On Funded Pensions” (if the Manager will also implement management of pension funds);
 - 9) Other documents prescribed by the CBA normative legal acts.
3. The CBA shall adopt a decision on satisfying the petition (petitions) specified under Items 1), 2) and 3) of clause 2 of this Article, if all necessary documents stipulated by clause 2 have been submitted, and there are no grounds stipulated by clause 4 of this Article for rejecting the respective petition (petitions). The availability of grounds to reject the petition for issuing a permit for rendering relevant service (services) accompanied with the petition

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on re-registration and relicensing of the Manager shall not be treated as grounds for rejecting the petition on re-registration and relicensing of the Manager. In the event of rejection of the petition specified in clause 2, sub-clause 3 of this Article in cases stipulated in clause 4, sub-clause 7 of this Article the petition of investment company on its re-registration and relicensing as a manager shall be subject to rejection.

4. The CBA shall reject the petition (petitions) specified in clause 2 of this Article, if:
 - 1) All submitted documents do not comply with this Law and normative legal acts adopted, there under, or false documents have been submitted, or there are inadequate data therein, and the aforementioned imperfections have not been eliminated by the person having filed the petition within the timeline defined by clause 1 of Article 111 of this Law.
 - 2) The investment company does not meet the requirements defined for the Manager activity prescribed by this Law and other legal acts,
 - 3) The relevant amendments in the investment company charter do not comply with the Law,
 - 4) The submitted business plan does not comply with requirements of this Law and the CBA normative legal acts adopted on the basis thereof,
 - 5) In the substantiated opinion of CBA the business plan is not realistic or acting in compliance with the business plan the Manager may not implement the fund management natural activities and/or render the required services on a regular basis.
 - 6) The statutory capital of investment company does not satisfy the minimum size of statutory capital defined for the Manager,
 - 7) In the CBA substantiated opinion the interests of customers may be endangered if the petition specified in items 3 of clause 2 of this Article is satisfied.
 - 8) Other grounds stipulated by the Law of the Republic of Armenia "On Funded Pensions" are available (for extending a permission of pension fund management);
 - 9) Other documents stipulated by the CBA normative legal acts.
5. The CBA shall adopt a decision on satisfying or rejecting the petition (petitions) specified in clause 2 of this Article within 30 business days after the investment company submits the petition.
6. The CBA shall hand over the registration certificate and license to the Manager within 5 business days after the adoption of decision on reregistering and relicensing of the investment company as a Manager.
7. The CBA, within 5 business days after adopting the decision on reregistering and relicensing of the investment company to act as a Manager, shall notify the state body authorized for the state registration legal entities to make the respective record about re-

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registration and relicensing of the investment company as Manager.

8. From the moment of the re-registration and relicensing with the CBA the Investment Company shall obtain a Manager's status, and the license previously issued to the investment company for providing investment services shall be revoked and subject to be returned to the CBA within a 3-day period.

Article 58. Business Plan and its reporting

1. A business plan shall be formed for the upcoming 3 years and shall comprise the data as follows:
 - 1) The Manager's internal organizational structure;
 - 2) Incomes and Expenses Statement;
 - 3) Financial development perspectives;
 - 4) Description of markets anticipated for activity ;
 - 5) Main competitors and methods of struggling the competitiveness;
 - 6) Management methods and possible risk assessment;
 - 7) More detailed description of business forecasting about the fund management activity, the service (services) stipulated by clauses 4 and 5 of Article 52 (if its permission has been received in the manner stipulated by this Law);
 - 8) The Fund (funds), with which it is anticipated to conclude a fund management contract, and/or type of fund (funds) (by investment policy and unit (shares) repurchase (redemption) structure), which is anticipated to establish;
 - 9) Investment policy, Manager fund's assets investment objectives and risk assessment system to be followed by the Manager;
 - 10) Other information defined by the CBA normative legal acts.
2. The Manager may submit also other information in the business plan not stipulated by clause 1 of this article.
3. Throughout the activities the Manager shall submit to the CBA a report on business plan implementation stipulated by clause 4 hereof, submitted during registration and licensing within the periods, procedures and forms defined by the CBA normative legal acts.
4. The Manager shall submit a 3-year activity program and amendments made therein to the CBA within the term, procedure and form defined by the CBA normative legal acts.

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

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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

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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

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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 61. ---Registration of Changes

1. The Managers and branches and representative offices of foreign managers operating in the RA territory shall submit to the CBA for registration the following changes, within 10 days after their occurrence:
 - 1) changes to the charter of a manager or a branch or representative office of a foreign manager operating within the territory of the Republic of Armenia;
 - 2) changes made in the Manager's operational rules;
 - 3) changes made in the management (with the exception of heads of structural subdivisions);
 - 4) Other changes stipulated by the Laws or the CBA normative legal acts.
2. The CBA shall within 30 business days after receiving the documents specified in the CBA normative legal acts for registration of changes stipulated under clause 1 of this article, register or reject those changes. In the event if it is required to revise the license, registration certificate and/or permit for providing service(s) as prescribed under clauses 3 and/or 4 or 4

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and 5 of Article 52 issued to the Manager under the registration of changes as provided clause 1, sub-clause 1 of this Article, the CBA, when making a decision to approve such changes, shall therewith satisfy the petition for such revision received appended to the other petition on registration of changes.

3. The CBA shall register the changes if they comply with the laws or other legal acts and were submitted in accordance with the requirements set forth in the CBA normative legal acts.
4. The procedure and manner of submitting changes for registration shall be defined by the CBA normative legal acts.
5. Changes specified by this law and the CBA normative legal acts shall become effective after their registration by the CBA.
6. Within five business days after making the decision on granting petitions described in clause 2 of this Article, the CBA shall hand over to the Manager the revised registration certificate, license and/or permit for providing service(s) as prescribed under clauses 3 and/or 4 or 4 and 5 of Article 52.
7. In case of changes in the size of statutory capital the Manager shall open a funded account in the CBA or any other bank operating in the Republic of Armenia not affiliated with the Manager. Funds in the funded account shall be frozen by the respective bank, and the Manager may not control, use or manage those funds before the registration of the changes with the CBA in accordance with the procedure defined in this Article.
8. The registraion specified under clause 5 of this article may be announced void by the decision of the CBA Board, if false or inaccurate documents or information were submitted to the CBA to register the changes stipulated by this law, to receive a licnese on professional qualification by a Manager or a branch or a representative office of a foreign Manager operating in the territory of the Republic of Armenia or in other cases stipulated by this Law.

CHAPTER 10

SUBSTANTIAL PARTICIPATION

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”.

CHAPTER 11
MANAGING THE MANAGER

Article 63. Manager’s Board of Directors

1. The Manager shall establish a Board of Directors consisting of at least 3 persons (hereinafter the Board), (in addition to representatives of the fund participants established by Article 49, clause 1, point 1 and Article 50, clause 3, point 1 of this Law) and in addition to issues reserved to the board of the legal person of the given organizational- legal type, has an exclusive power to:
 - 1) Adopt a decision on fund establishment and/or fund management in the manner defined by this Law, by submitting to the founders’ meeting of the corporate fund the draft contract on fund management.
 - 2) Approve the rules of the contractual (managed) fund established by the Manager and amendments, supplements made therein.
 - 3) Adopt rules of the fund in case the Manager acts as a new fund manager.
 - 4) Make decisions on signing and terminating a custody contract of the contractual fund established (run) by the Manager, as well as amendments to the custody contract agreed with the custodian.
 - 5) Make decisions on accession and termination of the contractual fund managed by the Manager.
 - 6) Make a decision on unilaterally repudiating the contract of the fund management in cases stipulated by this law.
 - 7) Present suggestions under the authority of corporate fund meeting specified under Items 5), 6) and 7) of clause 1 of Article 49 of this Law to the management fund meeting run by the Manager.
 - 8) Make decisions in a manner defined by the RA Law “On Joint Stock Companies” on proposals submitted by a fund participant (participants) holding at least 2 percent of fund shares (stock) in a procedure defined by the RA Law on Joint Stock Companies regarding issues that are stipulated by this Law and rules (charter) of the fund are under authority of the fund meeting run by the Manager, and approve the fund meeting agenda.
 - 9) Make decisions related to the fund with the organizational- legal form of a trust association that is within the scope of authority of the corporate fund meeting under this

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Law.

- 10) Other authorities stipulated in this Law.
2. In case of making decisions on issues specified under Items 2), 4), and 5) of clause 1 of this Article related to the close-end contractual fund run by the Manager, the decisions shall become effective only upon their approval by the fund meeting and their respective registration (decision on granting the consent) with the CBA as defined in this Law, except for the cases envisaged in Article 50, clause 6 of this Law.
3. The procedure of organization and operation of the Manager's Board are defined by the Manager charter. One representative from each fund (if available) managed by the Manager shall be included in the Manager's Board (except for the funds, the rules (charter) of which explicitly define that such a representative shall not be elected, as well as the contractual funds, which do not stipulate for a fund meeting) who shall participate with a consulting vote, with the exception of cases when issues related to the fund the given participant represents or its interests are discussed. The participant shall participate in such meetings with a voting right equal to that of other full members of the board. The Manager's Board may take a decision to limit the participation of the representatives of fund participants defined in this Clause for the session (some part of it), provided information constituting commercial secret shall be disclosed at such a session. Moreover, decisions relating to the fund or its interests shall be taken at the fund session in the absence of representatives of the fund participants, provided such an absence is accounted for exercising the limitation established in this Clause. The remuneration of representatives of the fund participants established by this Clause shall be borne at the expense of the fund, in accordance with the terms and conditions established by the fund meeting.

Article 64. Internal Audit

1. The Manager shall have relevant internal control system, which will involve all levels of fund management activity.
2. The Manager shall have an independent subdivision of internal audit (hereinafter internal audit), appoint relevant independent employees or delegate internal audit functions prescribed by contract to an independent auditor. The head of internal audit and its members (hereinafter internal auditors) shall meet the requirements for the Manager's heads defined by this Law. The member of Manager's management body, other heads and employees, as well as Persons Affiliated with the Manager, its heads or other employees may not act as an internal auditor.
3. Internal auditors shall be appointed by the Manager's board. The internal audit shall have the

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capacity to ensure efficient system of an internal audit. For the given purposes the CBA normative legal acts may define requirements to the minimum number of auditors, given the number of funds managed by the given manager and/or size of the portfolio.

4. Internal audit shall be independent and accountable to the board when performing its authorities.
5. Only a person having the professional qualification specified in this Law may act as an internal auditor.
6. In accordance with regulation approved by the board, the internal audit shall:
 - 1) Implement control over the Manager's current activities and risks.
 - 2) Check the compliance of the Manager activity to requirements defined by this Law, normative legal acts based thereon, rules of regulated market, rules of company operations and other legal acts.
 - 3) Give conclusions and submit proposals on issues submitted by a competent management body, as well as on other issues.
7. Issues within the competence of internal audit may not be delegated to management bodies of the Manager or other persons for settlement.
8. Each year the board shall approve the annual internal audit program, which shall at least include:
 - 1) Areas, where auditing services shall be carried out.
 - 2) Description of audit observations of separate areas.
9. Executive body of the Manager shall ensure favorable conditions for implementation of efficient internal audit activities.
10. Internal audit shall inform the Manager's board, executive body and the CBA about any breach of requirements defined by this Law, other legal acts, as well as any tangible harm caused to interests of fund participants and/or customers, within 5 business days after their disclosure.

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:

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- 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).

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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.

CHAPTER 12

REQUIREMENTS OF MANAGER ACTIVITIES

Article 67. Economic Norms for Manager Activities

1. The CBA in its normative legal acts shall define the minimum size of statutory capital of the Manager.
2. The CBA normative legal acts state the Manager's minimum size of the general capital dependent on the size of portfolio managed by the Manager.
3. Requirement under clause 2 of this Article shall be deemed observed by the Manager, if the latter holds guarantees provided by bank or insurance company equivalent to the difference between the size of general capital defined by the CBA normative legal act and the size of fixed capital held by the Manager. That difference may not exceed 50 percent of the general capital defined by the CBA normative legal act.
4. The Manager shall participate in every fund under its management which is at least equal to the amount stated in the CBA normative legal acts. The requirement to the Manager of minimum mandatory participation specified in this clause shall be deemed effective during

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three years after the registration of the fund.

5. Other economic norms may be stated for the Manager in the interest and for protection of investors under the CBA normative legal act, including those for temporary activity. Some economic norms, if prescribed by the CBA normative acts, may not apply to newly established Managers throughout one year starting from their creation, or other economic norms or minimum sizes thereof may be stated therefore.
6. If the Manager, in addition, implements a securities package management as stipulated by the RA Law "On Securities Market" and/or a pension fund management defined in the RA Law "On Funded Pensions", more stringent main economic norms specified by the above laws shall apply thereto.
7. While calculating the limits defined by this article, the managed portfolio shall include the following:
 - 1) Contractual funds managed by the Manager including the portfolios the management function of which shall be delegated to another Manager and with the exception of those portfolios the management of which is delegated to the given Manager by other Managers;
 - 2) The Corporate fund, the Manager of which shall be the given Manager;
 - 3) Non-public funds managed by the manager, including the portfolio, the management functions of which have been delegated to another manager, except for the portfolio the management of which has by other managers been delegated to the given manager.
8. In the event that economic norms stipulated by this Law and the CBA normative legal act adopted there under are violated, the Manager shall inform the CBA within three business days and take immediate actions to eliminate them in an ultimately short period of time.

Article 68. Duties of the Manager

1. The Manager shall:
 - 1) In performing its obligations act in the best interest of the fund participants and its customers, enforce the rights conferred to it and fulfill its duties towards fund participants and its customers in good faith and in a rational and professional manner, (fiduciary duty);
 - 2) Abstain from conclusion of transactions between itself and fund participants or its clients subject to conflicts of interests, in case it is impossible to give priority to the interests of its customers and fund participants.
 - 3) Throughout the period of its operations take immediate measures for prevention of possible conflicts of interests among its customers, fund participants and himself/herself, as well as among its other customers, such customers and funds managed by it and other funds, and,

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if it is impossible, take necessary measures to minimize them.

- 4) Introduce effective organizational and managerial measures for prevention of conflicts of interest related to drawing and distribution of investment proposals submitted by it.
 - 5) Invest customer's funds in the shares or units of funds managed by it only upon a written prior consent of the customer.
 - 6) Comply with its operational rules, which shall include:
 - a. Measures for prevention of conflicts of interests;
 - b. Procedures for documentary circulation of documents, electronic development and maintenance of data, information exchange related with fund management activities of the Manager;
 - c. Rules for internal audit activity;
 - d. Other procedures defined by the CBA normative legal acts;
 - e. Business Code.
 - 7) Comply with other requirements set forth for persons engaged in provision of investment services in the Law of the Republic of Armenia "On Securities Market" when providing investment services specified in this Law.
2. The CBA may define detailed requirements for the content of the Manager's activity rules by its normative legal acts.

Article 69. Segregation of Assets

1. The Manager shall implement separate management and separate accounting of its own assets, packages of securities and assets in each contractual fund it manages, as well as assets in various sub-funds.
2. The Manager shall use assets of the fund it manages solely to conclude transactions with respect to fund management in the procedure specified in Article 10 of this Law, and to make payments and expenses as specified in Article 17 of this Law, and shall not use these assets to its own benefit or to the benefit of any other person.
3. Assets of the fund managed by the Manager may not be confiscated in return for the Manager's obligations, with the exception of obligations arising from contractual fund management transactions signed under a procedure specified in Article 10 of this Law. Confiscation of the share of the Manager of the fund with the organizational- legal form of a trust association in return for his personal obligations is exercised in accordance with the procedure and grounds established in the Civil Code of the Republic of Armenia.
4. The CBA may define necessary binding rules by its normative legal acts to ensure the

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protection of rights of fund participants stipulated in this Article.

Article 70. Delegation and Transferring of Functions

1. The Manager may delegate a part of fund management functions (except for investment management function of pension fund management) to a third party (hereinafter counteragent) for the purposes of more efficient management, if such is anticipated by fund rules (charter). In that case the Manager shall continue to bear responsibility for implementation of delegated functions in good faith and in a proper manner.
2. The investment management function may be delegated only to a person who is not an affiliated person of the fund custodian and has received fund management license, as well as to a bank or an investment company not affiliated to the fund custodian, which in accordance with the law is entitled to manage the securities package.
3. Organization of issuance and repurchase (redemption) of shares or units may also be delegated to the Central Depository.
4. Close-end and interim fund participants registrar conduct function shall be subject to mandatory delegation to the Central Depository. Moreover, the manager having transferred the function of administration of the register of participants to the Central Depository shall be exempt from the defined liabilities in terms of administration.
5. The management functions delegation contract shall at the minimum include:
 - 1) specific scope of delegated functions;
 - 2) coneragent consent, which is irrevocable and with no reservations, on his control by the Manager, its audit and the Central Bank and on providing information in relation to the above.
 - 3) coneragent responsibility for non-fulfillment or improper fulfillment of functions delegated thereto;
 - 4) detailed description of good faith criteria of fulfillment of functions by counteragent.
 - 5) procedure and conditions of Manager control over implementation of functions delegated to coneragent;
 - 6) procedure for amending or terminating the contract, which should comply with the provisions defined in clauses 12 and 13 of this Law.
6. The Manager shall receive the CBA prior consent for delegation of management functions by submitting a copy of functions delegation contract.
7. Composition of all necessary documents and the procedure and conditions for their submission, as well as the procedure for granting the prior consent by the CBA for concluding

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the contract on management function delegation stipulated by clause 6 of this Article are defined by the CBA normative legal acts.

8. The CBA may deny the provision of consent stipulated by clause 6 of this Article, if within the period defined by the CBA not all the documents required by the CBA normative legal acts were submitted, or if the submitted documents do not comply with requirements set forth by this Law or other RA laws, or in the substantiated opinion of the CBA as a result of delegating all or some of the functions subject to delegation by the respective contract:
 - 1) May jeopardize legal interests of fund participants (including due to the lack of organizational, technical, financial resources and capacity), or may cause conflicts of interests between third person and the Manager, fund or fund participants;
 - 2) Proper control over the Manager and/or custodian will be impossible;
 - 3) Regular and sound supervision over the delegated functions and giving instructions with regard to fund asset management to the person who was delegated with implementation of functions will become impossible;
 - 4) Creates a situation, when the Manager does not actually implement fund management.
9. The CBA normative legal act defines the maximum size of fund (sub-fund) assets, the investment management function of which may be delegated to a third party (parties).
10. The fund prospectus (except for the fund rules (charter)) shall define the list of those functions, which may be delegated to a third party.
11. Provisions on controlling or imposing sanctions on the Manager defined in this Law shall also apply to counteragents, with regards to the functions delegated thereto.
12. If the Manager discloses that counteragent actions infringe the requirements of this Law, other legal acts based thereon, or the contract of management functions delegation, it shall demand from the counteragent to immediately eliminate the infringement. If the counteragent does not eliminate the infringement within a reasonable time period defined by the Manager after the Manager placed the requirement, the Manager shall be entitled to unilaterally dissolve the contract on delegation of the management function.
13. Termination of the contract on delegation of the management functions under clause 12 of this Article may also be required by the CBA, if the counteragent has violated this Law or other legal acts adopted thereon, which may jeopardize the legal interests of fund participants. The CBA requirement shall be binding for the parties and shall be fulfilled within a reasonable period and in the manner defined by the CBA.

Article 71. Delegating the Fund Management to Another Manager

1. The Manager (transferring Manager) may delegate management of the fund it manages to

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another Manager (receiving manager) on the basis of the approval of the fund meeting (if available) of the contract on fund management transfer and the prior content of the CBA Board issued in accordance with this Law and the CBA normative legal acts. This right of the Manager and the procedure of its implementation shall be defined in the fund management contract (fund rules). Transfer of management of a fund with organizational-legal form of a trust association to another Manager shall be affected through transfer of its share in the fund assets by the Manager to another Manager and through signing the contract with the latter as specified in clause 2 of this Article.

2. For delegation of fund management transferring and receiving Managers shall sign a contract on fund management transfer, which shall define the rights and responsibilities of the parties. It shall not contain provisions which infringe or may infringe the rights and legal interests of fund participants.
3. Before signing the contract specified in clause 2 of this article it shall be approved by the boards of transferring and receiving Managers. If the transferring Manager is under the management of temporary administration or in the process of liquidation, the contract on transfer shall be signed by the head of administration or the liquidation Manager or the chairman of the liquidation committee.
4. The contract of transfer of fund management shall come into force on the date specified in the contract, but no earlier than the day of granting the prior consent by the CBA as specified in this Article.
5. From the moment the fund management contract becomes effective the receiving Manager becomes a party to the respective fund management contract with the status of a fund manager, and all the rights and responsibilities of the transferring Manager arising from the contract are transferred to the receiving Manager.
6. For receiving the CBA prior consent on the transfer of the fund management the transferring and receiving Managers shall submit jointly to the CBA the following documents and information in accordance with the procedure defined in the CBA normative legal acts:
 - 1) petition on granting consent on transfer of fund management;
 - 2) signed contract on transfer of fund management;
 - 3) decision of the fund meeting (if available) on approving the contract on fund management transfer;
 - 4) calculation of the main economic norms of the receiving and transferring Managers as defined in this Law;
 - 5) amendments made to the business plans of receiving and transferring Managers in relation to the transfer of fund management;
 - 6) Other information defined by the CBA normative legal acts.

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7. The CBA shall within 30 business days after submission of all the required documents and information specified in clause 6 of this Article, make a decision on granting a consent for transfer of fund management or rejecting the petition.
8. Along with granting the consent for transfer of fund management the CBA shall also register the respective amendments to the fund management contract (fund rules), which shall enter into force from the date the contract on transfer of fund management enters into force.
9. The CBA shall reject the petition for granting the consent on fund management transfer, if:
 - 1) The submitted documents or information do not meet the requirements set forth by this Law or the CBA normative legal acts, or false documents have been submitted, or the documents contain inaccurate information, or there are imperfections in those documents which were not eliminated within the period defined under clause 1 of Article 111 of this Law.
 - 2) In the opinion of the CBA transfer of fund management impedes or may impede the rights and legal interests of fund participants.
 - 3) In the opinion of the CBA transfer of fund management may deteriorate the financial standing of transferring or receiving Managers.
 - 4) In the substantiated opinion of the CBA, in the event of transferring the fund management, the receiving company will not meet the requirements set forth in this Law or the CBA normative legal acts.
 - 5) Changes made in the business plan do not meet the requirements set forth in this Law and the CBA normative legal acts adopted thereunder, or in the substantiated opinion of the CBA, the amended business plan is unrealistic, or if acting in compliance with it, the Manager will not be able to implement regular activity of fund management.
 - 6) In the substantiated opinion of the the CBA, transfer of fund management may lead to limitation of economic competition.
10. The Manager shall, within 5 days after receiving the CBA decision on approval of fund management transfer, post an announcement on the above in a national newspaper with a minimum of 3000 print runs, through electronic media available in the RA territory and through its internet home page.
11. The announcement specified under clause 10 of this article for delegation of fund management having a fund meeting, shall also contain information on the respective fund participants' rights specified in clause 12 of this Article.
12. Participants of the fund which has a fund meeting, who in the fund meeting voted against the transfer of fund management or failed to participate in the voting on that matter, shall have a right to submit a claim on repurchase (redemption) of their shares (units) in accordance with the Law of the Republic of Armenia "On Joint Stock Companies", unless some other

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regulation is provided by this Law, as well as depending on peculiarities of the given contractual fund, in case of repurchase of shares.

13. In the event the fund management contract fails to be approved by the fund meeting, the Manager may repudiate the contract, if the legal interests of fund participants are protected, and if the prior consent of the CBA was granted in accordance with the procedure defined by the CBA normative legal acts.
14. The CBA prior consent stated in this Article shall not be required for revoking of the contract by the qualified investors fund Manager in case of transfer of qualified investors fund management and in case stipulated in this Article.
15. Management of a mandatory pension fund may be transferred to another Manager when the license (permit for mandatory pension fund management) of Manager of such fund is revoked, as well as when a prior consent of the CBA is needed for self-dissolution (permit for mandatory pension fund management is revoked). The specific cases of transfer of mandatory pension fund management are stated by the Law of the Republic of Armenia "On Funded Pensions".

Chapter 13

REORGANIZATION AND TERMINATION OF MANAGER

Article 72. Reorganization of Manager

1. The Manager may be reorganized solely by acceding to another Manager or through reorganization.
2. Reorganization of the Manager shall be effected in compliance with the procedure defined by the Civil Code of the Republic of Armenia, this Law and other RA laws.

Article 73. Procedure of Accession

1. In case of accession of one Manager or several Managers to another Manager the acceding Managers shall sign an acceding contract with the prior consent of the CBA Board.
2. In order to obtain the prior consent of the CBA with respect to accession, the Manager (Managers) shall in accordance with the procedure and terms and conditions defined by the CBA, file a motion with the latter the following:
 - 1) Petition of granting prior consent for accession;

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- 2) Decision of reorganizing Managers' respective management bodies on accession;
 - 3) Essential terms and conditions of the transaction;
 - 4) Business plan for the three subsequent years of the Manager who continues to exist after accession;
 - 5) Information relating to the persons whose shares the Managers and persons affiliated thereto is to be acquired. Moreover, together with the petition on granting prior consent for accession, the Manager who will continue to exist shall also submit a petition on granting prior consent for acquiring participation in other entities as defined in the law, as well as other documents in accordance with the procedure defined in this Law and the CBA normative legal acts.
 - 6) Information relating to the persons who are to acquire qualifying participation in the surviving Managers who will continue to exist. Moreover, together with the petition on granting prior consent for accession, the surviving Manager shall also submit a petition of the person acquiring qualifying participation and persons affiliated thereto on granting prior consent for acquiring qualifying participation in the statutory capital of the fund, as well as other documents in accordance with the procedure defined in this Law and the CBA normative legal acts.
 - 7) Other information defined by the CBA normative legal acts.
3. The CBA Board shall, within one month after receipt of information and required documents stated in clause 2 of this chapter, make a decision on granting or rejecting the consent specified in clause 1 of this chapter.
 4. The CBA Board may refuse to grant consent for signing the accession contract, if:
 - 1) accession of the Manager(s) or their documents are in conflict with the RA laws or other legal acts (particularly, the surviving Manager, who has a right to pension fund management or acquired such, will not be consistent to the RA Law "On Funded Pensions" unless acceded), or if false documents were submitted, or if such documents contain inaccurate information or imperfections which were not eliminated within the reasonable period defined by the CBA.
 - 2) In the opinion of the CBA the financial situation of the surviving Manager will substantially deteriorate, or the Manager will violate requirements stipulated by this Law or the CBA normative legal acts.
 - 3) In the opinion of the CBA, as a result of accessing the Manager, or persons with qualifying interest in the Manager or persons affiliated thereto will acquire a prevailing or monopolistic position in the securities market.
 - 4) In the opinion of the CBA, interests of participants or customers of the funds managed by any of the Manager will be impaired as a result of accession.

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- 5) The CBA has rejected at least one of the petitions on granting prior consent stated in clause 2, points 5 or 6 of this Article.
- 6) The submitted business plan does not meet the requirements set forth in this Law and the CBA normative legal acts adopted thereunder, or in the opinion of the CBA it is unrealistic, or by acting in accordance with the plan, the surviving Manager cannot assume the fund management activity in a proper manner.
5. Within one month after receiving the CBA prior consent the acceding Manager(s) shall submit the accession contract to the CBA Board for approval, as well as other documents and information defined by the CBA normative legal acts. The CBA shall approve the accession contract within a 15-day period, provided the contract meets the conditions stated in the received prior consent.

Article 74. Legal Consequences of Accession

1. Within the terms stipulated in the accession contract, the Manager(s) who made the decision on accession shall implement actions stipulated under the accession contract, approve the deed of transfer, and together with the charter or amendment to the charter of the surviving fund, submit to the CBA for registration in accordance with the procedure defined by this law and the CBA normative legal acts. An application on reformulation of the permit for providing service (services) specified in clause 3 and/or 4 or 4 and 5 of Article 52 of this Law, which was received by the acceding Manager (Managers) but is not yet available with the surviving Manager, shall also be submitted to the CBA.
2. From the moment the charter of the surviving Manager or the changes and amendments made thereto are registered with the CBA a respective note on termination of Manager's (Managers') activity shall be made in the registry book of the Managers. Upon such registration, the surviving Managers shall be deemed as reorganized.

Article 75. Notice on Accession

Acceding managers shall, within three days after receipt of the CBA prior consent to signing the accession contract in accordance with the procedure defined by the CBA, post an announcement about the above on their websites, and in the national print media with a minimum print runs of 3000.

Article 76. Reorganization of Manager

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1. A Manager organized as a joint stock company may be reorganized solely into a limited liability company.
2. A Manager with organizational-legal form of a limited liability company may be reorganized solely to a joint stock company.

Article 77. Grounds for Liquidation of the Manager

1. The Manager shall be terminated upon:
 - 1) decision of a general meeting of fund participants (self liquidation)
 - 2) announcement of the license as null and void according to the procedure defined in Article 59 of this Law.
 - 3) bankruptcy of the Manager.

Article 78. Liquidation of the Manager upon the Decision of Participants' General Meeting (self-liquidation).

1. The general meeting of the fund participants shall have the right to make a decision on liquidation of the Manager, given the Manager has fulfilled all the obligations arising from contractual provisions on fund management and service provision contracts specified in Article 52, clauses 4 and 5 of this Article, provided, the Manager has sufficient means to satisfy the claims of all other debtors.
2. In case of liquidation of the manager upon a decision of fund participants, the general meeting shall make a decision on applying to the CBA for a prior consent. Based on this decision the Manager shall submit to the CBA a petition for prior consent to start the liquidation process, by enclosing to it documents and information justifying such liquidation, the list of which shall be defined by the CBA normative legal acts.
3. The CBA Board shall within 90 days consider the Manager's petition on granting prior consent for liquidation and make a decision on satisfying or rejecting the petition.
4. The CBA Board may reject manager's petition on granting liquidation prior consent if in the opinion of the CBA Board the liquidation may be in conflict with interests and legal rights of the Manager's customers and/or participants of the fund managed by the Manager, or the manager will not be able to discharge its obligations in course.
5. In the event the CBA Board prior consent on liquidation is granted the Manager shall take actions to transfer management of all the funds managed by him/her to another Manager (other Managers) in a manner defined by this Law or unilaterally dissolve fund management contracts, as well as to duly perform all obligations arising from the service

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provision contract signed with its customers specified under clauses 4 and 5 of Article 52 of this Law.

6. The general meeting shall make a decision on liquidation only if a a sound transfer of management of all the funds managed by the Manager to another Manager (other Managers) in a manner defined by this Law or unilateral termination of fund management contracts, implementation of the plan on receipt and transfer of mandatory pension fund assets, as well as meeting all obligations arising from the service provision contract signed with its customers specified under clauses 4 and 5 of Article 52 of this Law has occurred.
7. After the liquidation decision is made the Manager shall within 3 days submit to the CBA a petition on granting permission on liquidation, by enclosing information and documents justifying liquidation, the list of which shall be defined by the CBA normative legal acts.
8. The CBA Board shall within 30 business days consider the Manager's petition on granting permission for liquidation and make a dicision on satyfing or rejecting the petition.
9. The CBA Board may reject the Manager's petition on granting permission for liquidation, if under the fund managed by the Manager there is a fund, the management of which has not been transferred to another Manager or the given fund's management contract has not been terminated, and/or there are outstanding liabilities arising from service provision contracts specified under clauses 4 and 5 of Article 52 of this Law, or if the Manager becomes unable to satisfy claims from other creditors.
10. In case of granting a permission for liquidation, the CBA board shall also make a decision on announcing void the Manager's fund management license, as well as the decision on granting permission for rendering (service) services specified under clauses 3 and/or 4 or 4 and 5 of Artile 52 of this Law (if the mananager has obtained such a permission).

Article 79. Manager's Liquidation Committee

1. The Manager's liquidation committee shall be established within 5 days after the CBA makes a decision on granting a permission for the Manager's termination.
2. The liquidation committee is formed with the purpose of liquidating the Manager, selling its property (assets), and meeting legal claims of creditors.
3. The Liquidation committee shall comprise at least three members. Only persons having the professional qualification defined in this Law may become a chairman or member of the liquidation committee.
4. Before the formation of the liquidation committee, the authorities of such committee shall be carried out by the Manager's executive body, unless otherwise stipulated by the Manager's charter.

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5. From the moment the liquidation committee is formed, management authorities of liquidating Managers shall pass to the committee.
6. Within 5 days from the moment of formation of the liquidation committee, the committee shall publish an announcement in a national newspaper with a minimum of 3000 print runs and notify the CBA on procedures and terms of liquidation of the Manager and submission of claims by the creditors, which shall not be less than 60 calendar days.
7. In case no liquidation committee is formed by the Manager, it shall be created by a CBA Board decision.

Article 80. Procedure of Liquidation of the Manager

1. The Manager's management bodies shall within 3 days after creation of the liquidation committee transfer to the latter the Manager's seals, forms and templates, documents, material and other values.
2. Within 3 days after creation of the liquidation committee the head of the latter shall apply to the authorized state body to include the words "Manager of liquidating investment fund" in the firm name of the liquidating Manager. Within 3 business days after receipt of application the authorized state body shall make the changes to the firm name of the liquidating Manager, including the words "Manager of liquidating investment fund" therein.
3. The liquidation committee shall within 15 days after the changes in the brand name of the Manager made, replace liquidating Manager's seal, form and templates, by including the words "Managers of liquidating investment fund" therein.
4. Before starting the process of satisfying creditor claims, the liquidation committee shall:
 - 1) record and estimate the value of assets and liabilities of liquidating Manager;
 - 2) take all necessary actions with regards to discovering all the debtors of the Manager and receiving the Manager's accounts receivable;
 - 3) take actions to realizing of the assets of the liquidating fund in the most beneficial manner possible;
 - 4) take actions to ensure fulfillment of obligations to the manager being liquidated;
 - 5) decide on the method of distributing the remaining assets among participants after fulfillment of all obligations;
5. Within 7 days after the end of the period for submission of creditor claims the liquidation committee shall prepare, approve and publish the interim liquidation balance sheet in a newspaper with at least 3000 print runs in the Republic. The interim termination balance sheet shall contain the following information:
 - 1) the structure of liquidating Manager's property,

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- 2) information on the list of claims filed by creditors, including the total amount of liabilities reflected in the Manager's balance sheet or presented to the Manager, the amount of obligations to each creditor and the order for satisfying claims defined by this Law, as well as a separate list of claims rejected by the Manager.
 - 3) results of discussions of creditor claims,
 - 4) other information defined by the CBA normative legal acts.
6. The liquidation committee shall submit to the CBA one copy of the newspaper where the interim liquidation balance sheet was published. The CBA shall be entitled to instruct the liquidation committee to publish the interim liquidation balance sheet in a Republican newspaper with at least 3000 print runs.
 7. The liquidation committee shall satisfy creditor claims in the order specified by Article 81 of this Law, in accordance with the interim liquidation balance sheet starting from the date of its publication.

Article 81. Priorities for Satisfying Claims

1. Obligations secured by collateral shall be satisfied from the amount generated from the sale of the collateral the given obligation was secured by, beyond the order. If the amount of obligation exceeds the sales price of the collateral by which the obligation was secured, the portion of obligation not covered by collateral shall be satisfied together with obligations to other creditors.
2. The Manager's obligations are satisfied at the expense of liquidation funds in the following order:
 - 1) first, required and justified costs necessary for implementation of liquidation committee authorities to implement liquidation related activities defined by this law, including salaries and payments equalled to salaries for liquidation committee chairman and members.
 - 2) second, obligations arising from fund management contract and service provision contracts specified in clauses 4 and 5 of Article 52 of this Law.
 - 3) third, claims, other than those specified in clauses 1, 2, 4, 5 and 6.
 - 4) fourth, the Manager's obligations to state budget and community budgets.
 - 5) Claims arising from subordinate borrowings.
 - 6) fifth, claims of the Manager's participants, as well as manager or persons affiliated to it.
3. Persons in clause 2 of this Article, who are the Manager's participants, persons affiliated with the Manager, shall be excluded from the list of creditors of the second, third and fifth order, in regard to whom the manager obligations are satisfied in the sixth order.

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4. Creditors of the same order shall have equal rights for the satisfaction of their claims. Claims of creditors in the same list shall be satisfied only upon meeting the claim of all the creditor in the previous list.
5. In case the liquidation committee refuses to satisfy creditor's claims or avoids considering those claims, the creditor shall have the right before the interim termination balance sheet is published, to appeal the actions of liquidation committee. Moreover, if the creditor's claim is subject to satisfaction in the turn the claims of which are being satisfied by the liquidation committee at the given moment, the court may cease satisfaction of claims for the given turn by the liquidation committee, until the decision is made.
6. If the creditor submitted a claim after the deadline for submission of claims by the creditor s defined in this Law, their claim shall be satisfied at the liquidation expenses remaining after satisfaction of creditors' claims, who submitted their claims before the deadline.
7. If a registered creditor submitting a claim and accounted for by the liquidation committee does not present himself before the end of the deadline for satisfaction of such claims published by the liquidation committee in a national newspaper with a minimum of 3000 print runs, the assets to be provided to such creditor shall in accordance with law be submitted to the notary for deposit, or be provided for custody.
8. Before satisfying the claims for each group the liquidation committee shall publish information on the location, procedure and terms of satisfying such claims in a national newspaper with a minimum of print runs of 3000 copies. Basic information on the location, procedure and terms for satisfying claims become legally effective only on the following day after their publication in a national newspaper with a minimum print runs of 3000 copies.
9. The period for satisfying claims in the second order stated in clause 2 of this Article may not be less than 21 calendar days. Missing the period for satisfying claims for any reason is not subject to recovery.
10. Claims rejected by the liquidation committee, provided the creditor has not filed a petition with the court, as well as claims rejected by a court verdict are deemed as waived unless the creditor applied to the court.

Article 82. Oversight and Reports of the Liquidation Committee

1. In order to exercise oversight over the Manager's liquidation process the CBA may conduct inspections with the Manager in the process of liquidation in accordance with the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".
2. The liquidation committee shall in accordance with the procedure, manner, frequency and terms defined by the CBA normative legal acts submit reports to the CBA.

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3. The liquidation committee shall in accordance with the procedure and manner defined by the CBA normative legal acts publish information on its operations regularly, but no less than once a month in a national newspaper with a minimum of print runs of 3000 copies.
4. The CBA shall be entitled to require from the liquidation committee any information on its activity.

Article 83. Approval of Liquidation Balance Sheet. Termination of Operations of Liquidation Committee

1. After completing the claims with the creditor the liquidation committee shall prepare a liquidation balance sheet and shall submit it to the CBA within 3 days after its approval by the general meeting of the Manager's participants.
2. The CBA shall within 10 days make a decision on approving or rejecting the liquidation balance sheet, by stating the grounds for rejection. The CBA shall reject the approval of the liquidation balance sheet if the liquidation committee violated the requirements of this law.
3. In the event the liquidation balance sheet is not approved by the CBA, the liquidation committee shall within a 10-day period eliminate the grounds for rejection of the liquidation balance sheet by the CBA and submit a new petition to the CBA on approving the balance sheet after its approval by the general meeting of the Manager's participants. The Central Bank shall consider the above petition in accordance with clause 2 of this Article.
4. Within 3 business days after making the decision on approving the termination balance sheet, the CBA shall make a record in the Manager registry book on withdrawing the liquidation Manager from the registry, after which the Manager is deemed liquidated, and its activity terminated. The CBA shall notify within 5 business days on the above the body responsible for registration of legal entities.
5. Within 3 days after making the decision on approving the liquidation balance sheet of the liquidating committee the latter shall in accordance with the procedure and manner defined by CBA normative legal acts publish that information, after which the Manager is released from any responsibility related to the Manager liquidation.

Article 84. Remuneration of a Liquidation Committee Member

1. Remuneration of a liquidation committee member shall be made at the expense of the liquidating Manager's property.
2. The CBA, by its normative legal acts, may define limits for remuneration of a liquidation committee member.

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Article 85. Revocation of License and Liquidation of Manager on Bankruptcy Basis

1. In the event the Manager's license is revoked in accordance with Article 59, Clause 1, Item 1) through 7) and 9) of this Law, the Manager's liquidation proceeding shall be held in compliance to Article 78 (5) and Article 79 through 84 of this Law. The liquidation committee of the Manager shall be launched within 5 business days upon the CBA decision on revocation of the license is approved, and on which obligations set by Article 78 (5) are imposed.
2. The procedure of the Manager's liquidation resulting from its bankruptcy, as well as other relations arising from insolvency and bankruptcy shall be regulated by the RA Law on Bankruptcy of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies.

SECTION 5 FUND CUSTODY

CHAPTER 14 THE CUSTODIAN

Article 86. The Custodian

1. Fund assets shall be handed over to a custodian not affiliated with the Manager under a custody contract. During the course of effectiveness of the agreement established in this Clause the manager and the custodian should take reasonable measures aimed at preventing the circumstances leading to their affiliation, and in case of occurrence of affiliation, they should eliminate such circumstances within a period of six months. The manager and the custodian shall bear responsibilities in case they have the fault of occurrence of affiliation between themselves.
2. The Custodian may be a bank operating within the territory of the Republic of Armenia, which renders custodian services for securities in the manner defined by the Law of the Republic of Armenia "On Securities Market". The law of the Republic of Armenia "On Funded Pensions" may define additional requirements to the pension fund custodian.

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3. The Custody of the same fund assets may be implemented only by one person in person or in cases prescribed by this Chapter through sub-custodian (sub custodians).
4. The Custodian may not act as Manager of the same fund simultaneously, except for the fund temporary management by custodian upon absence of the Manager. In such cases the Custodian shall take actions to as soon as possible hand over the fund management to other Manager as prescribed by Article 71 of this Law and to accede to the fund managed thereby, by ultimately meeting the fund participants' interests while selecting such. The Custodian implements the fund management when it is liquidated (terminated) subject to this Law, as well as the Law of the Republic of Armenia "On Bankruptcy of Banks". The fund management's activities performed in cases provided for by this Law by the custodian shall comply with the RA laws, other legal acts and provisions set for the Manager by fund rules (charter), unless otherwise stated.

Article 87. Duties of the Custodian

1. In addition to authorities defined for a custodian in the Law of the Republic of Armenia "On Securities Market", the Custodian shall deposit for safe custody and maintain the fund assets and record them, implement service of transactions in the name of the fund and transfer of assets based thereon.
2. Fund custody may not include custody of the assets.
3. In addition to duties defined by this Law and the CBA normative legal acts, shall:
 - 1) Ensure units (shares) issuance, distribution, repurchase (redemption) and exchange in pursuance with the RA laws, normative legal acts and fund rules (charter);
 - 2) Ensure net value of fund assets and units (shares) calculation value in pursuance with the RA laws, normative legal acts and fund rules (charter);
 - 3) Implement control over transactions with fund assets, give a prior consent for transactions' implementation with fund assets, ensure operations implementation connected with fund assets, within periods defined by legislation, and in case of absence of legislation, within periods applied usually for implementation of similar operations;
 - 4) Carry out the Manager's instructions, if they do not contradict the laws, normative legal acts based thereon and fund rules (charter);
 - 5) Ensure use of fund assets, including incomes distribution in pursuance with the RA laws, normative legal acts and fund rules (charter);
 - 6) With the manager regularly implement comparison of fund assets and movement thereof,
 - 7) In cases defined by the RA laws, in case of terminating the fund management power of the Manager before transferring of fund management to another Manager or acceding to

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the fund managed by it, defined by the Law;

- 8) Implement fund liquidation (termination) upon the Manager's absence;
 - 9) Implement other functions defined by this Law, other RA laws and legal acts.
4. In the event of disclosing infringements of requirements with regards to this Law, normative legal acts based thereon and fund rules (charter) while fulfilling his/her duties, the Custodian shall within one business day send a written notice to the CBA and the Manager's Board to inform them about it.
 5. The custodian shall bear responsibilities for damages caused by its actions or inaction to the manager or the fund participants (including the lost profit), except when the custodian proves that it has acted within its fiduciary duties. Moreover, the given fund manager may bring a claim directly or indirectly against the damages caused to the participants.

Article 88. Additional Requirements to the Custodian

1. Provisions regarding the custodian of securities defined by the Law of the Republic of Armenia "On Securities Market" shall apply to the Custodian, unless otherwise stipulated by this Law.
2. Internal organizational structure, operational system, financial situation, premises of activity, technical capacity, professional qualification and experience of persons involved in its operations implementation shall be adequate to ensure operations implementation prescribed by the RA laws, normative legal acts and custodianship contract.
3. The CBA shall define additional requirements over custodians structure and activity.
4. The Custodian shall act in the best interests of the fund participants, enforce its rights and fulfill its duties in good faith and in a rational manner, on a due professional level (fiduciary duty).
5. The contract signed between the fund (contractual fund manager) and the custodian may not limit custodian obligations defined by this Law and other RA laws.

Article 89. Delegation of Functions of the Custodian

1. The Custodian may delegate a part of its functions or all its functions in respect of a part of fund assets to a third party in compliance with sub-custody contract. However, in the event of delegation of duties, there shall not be a case when the Custodian does not carry out the actual custody of the fund.
2. Under sub-custody contract the scope of functions, which shall be delegated or those assets, the custody of which is delegated to sub-custodian shall be defined, as well as other provisions on custody functions established in Article 70, clause 5 of this Law.
3. The Custodian shall be convinced that the third party, to whom all custodian functions are

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delegated, has sufficient organizational, technical and financial resources and capacity for proper implementation of all delegated functions.

4. A sub-custodian may be a person entitled to perform custody of certain type of assets, whereas in case of delegation of additional functions established by this Law, the person meeting the requirements specified in Article 86, clause 2 of this Law (with respect to performing activities outside the territory of the Republic of Armenia, the person entitled to engage in custody of assets by the legislation of the given country). A sub-custody agreement may not be concluded with the fund manager or a person affiliated to it. In the event when during the course of sub-custody activities any activities leading to affiliation between the sub-custodian and the manager, the custodian shall be obligated to terminate within six months the sub-custody agreement, provided such circumstances do not cease before the end of the 6 months period.
5. The provisions on the oversight and subjecting to liabilities of a custodian as established by this Law and other laws shall be applicable to the sub-custodian with respect to the delegated functions, except for the cases when it had an obligation to keep for custody (maintain) the fund assets, as well as when the functions of the sub-custodian are performed by a foreign legal person outside the territory of the Republic of Armenia.
6. The Custodian shall implement proper control over all delegated functions by sub custodian and fund participants legal interests protection and shall bear responsibility for losses caused by its actions or inactions. In that case, it shall obtain a right of counterclaim against the sub-custodian.
7. For the purposes of delegation of functions of a custodian, the custodian shall be obligated to obtain the agreement of the Central Bank, in compliance with the provisions established by Article 70 of this Law in regard to an agreement of delegation of functions of a manager.
8. Sub custodian shall ensure sound implementation of oversight by the custodian in compliance with Article 6 of this Law.
9. If the Custodian discloses any infringement or may infringe the requirements of the sub-custody contract, it shall immediately demand to eliminate the infringement. If after submission of the mentioned requirement claim, the sub-custodian fails to eliminate the infringement within the defined reasonable period, the Custodian may dissolve the sub-custody contract.
10. Sub-custody contract dissolution as prescribed by clause 9 of this Article may also be required by the CBA, if the sub-custodian has made infringements of RA laws and other legal acts, which may jeopardize legal interests of fund participants. The CBA requirement shall be binding for all parties and shall be enforced in a reasonable period and the defined procedure.

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Article 90. Change of the Custodian

1. The fund custody contract may be terminated upon mutual consent of the contractual fund Manager or corporate fund manager and custodian, if such a possibility is stipulated by fund rules (charter) and the fund custody contract, and if the CBA Board prior consent has been received in the manner established by CBA normative legal acts and legal interests of fund participants are provided. The CBA consent stipulated by this clause shall not be required for qualified investor funds. Upon failure to obtain mutual agreement with the corporate fund (contractual fund manager) established by this clause, the custodian shall be entitled to unilaterally dissolve the fund custody agreement by meeting the other requirements set forth in this clause, also by providing a due notification to the manger no later than 90 days prior to taking of such a decision. Moreover, the notification established by this clause shall be attached with the copy of the CBA decision on initially agreeing with the termination of the custody agreement, except for the cases of termination of qualified investment fund custody agreements.
2. The contractual fund manager or corporate fund may unilaterally recognize the fund custody contract concluded with the custodian as null and void, only on the grounds stated under clause 3 of this Article, for which the CBA prior consent shall be required. The consent stipulated by this Clause shall not be required for qualified investor funds.
3. Upon the CBA request, the contractual fund manager or corporate fund shall recognize the custody contract concluded with the Custodian as null and void within a reasonable period defined by the CBA, to protect legal interests of fund participants, if the custodian does not fulfill its duties stipulated by the Laws, fund rules (charter) and other legal acts, and has breached the requirements of the aforementioned legal acts, as well as when the circumstances leading to affiliation of the manager and the custodian have not been eliminated within a period of 6 months.
4. In case of terminating the fund custody contract defined by Clauses 1, 2, 3 of this Article, the custodian shall continue to discharge its duties defined by the RA laws, legal acts adopted thereon, fund rules (charter), until a contract with the new custodian is signed and fund assets are transferred thereto.
5. The fund custody contract shall be terminated upon recognition of license of banking activities as void, and in case of a pension fund custody when prohibiting the later to perform custody activities as envisaged by the Law of the Republic of Armenia "On Funded Pensions".
6. The fund custody contract concluded by the contractual fund manager or corporate fund

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and new custodian, as well as amendments made to fund custody contract shall be submitted to the CBA within 10 days. The submitted changes are subject to registration by the CBA and shall enter into force after its registration. Registration of the contract concluded with the new custodian shall be implemented along with the amendments made to the contractual fund rules.

7. The CBA Board shall deny the registration of amendments or new contract registration stipulated by the first paragraph of this clause, if they do not meet the requirements specified by this Law or normative legal acts adopted thereunder.
8. The provisions relating to changes of the custody agreement of clauses 6 and 7 of this Article and registration of the new custody agreement concluded with the new custodian (except for the second sentence of clause 6 of this Article) shall not be applicable to the qualified funds, in case of which the custody agreement and agreement concluded with the new custodian shall be registered by the chairman of the CBA, without checking their contents, provided there is no specific request by a fund participant to check the amendments or the agreement as to its compliance with the requirements of this Law and the underlying normative legal acts.

SECTION 6

INFORMATION DISCLOSURE

CHAPTER 15

PROSPECTUS, REPORTS, EXTERNAL AUDIT AND OTHER MEANS OF INFORMATION DISCLOSURE

Article 91. The Prospectus

1. Provisions stipulated by the Law of the Republic of Armenia "On Securities Market" shall apply to the structure, effective period, registration, publication of the prospectus of the fund, with the exception of an open-end fund. The content and form of the prospectus of securities issued by the fund shall be defined by the CBA normative legal act.
2. The open-end fund rules (charter) shall be deemed as a prospectus, the latter not being regulated by respective provisions of the Law of the Republic of Armenia "On Securities Market". The Manager of an open-end fund shall ensure availability of fund rules (charter) for investors. The CBA normative legal acts may define requirements related to publishing fund rules (charter) to ensure publicizing of fund rules (charter) provided for in this clause.

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Article 92. Reports

1. The Manager shall prepare, disclose and submit to the CBA annual and interim reports for itself and each fund it manages. Templates, content, submission and disclosure procedures, as well as timeframes and frequency for the reports shall be defined by the CBA normative legal acts, which are, in the case of pension fund reporting requirements, consistent with the respective requirements defined by the Law of the Republic of Armenia "On Funded Pensions".
2. The Manager shall prepare and submit the published financial reports in accordance with the Law of the Republic of Armenia "On Accounting".
3. The format of information and liability of the special decisions made by the Manager to the CBA may be regulated by the CBA relevant normative legal act.
4. The information disclosed and/or submitted to the CBA by the Manager shall be complete and trustworthy.
5. Reports prepared by the Manager specified under clause 1 of this Article, which are prepared for qualified investor funds shall be submitted to the CBA only upon such request made by the latter and shall not be disclosed.

Article 93. Information Provided to Fund Participants

1. The Manager shall upon request of fund participant provide the latter with any information which is subject to publishing in accordance with this Law and legal acts. Moreover, no fees can be charged for providing the latest annual report or conclusions of independent audits, as well as the fund prospectus (except for the fund rules (charter)).
2. The CBA shall define by its normative legal acts the composition, form, content, as well as procedures for providing information, reporting and providing other similar documents to fund participants.

Article 94. Information Subject to Mandatory Disclosure

1. The Manager shall have an operating internet web page and post in Armenian at least the following information on the funds under its management:
 - 1) Financial reports (at least the latest annual and the latest quarterly reports) and conclusions of independent audits on those reports. Moreover, the financial reports and

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conclusions of independent audit on those reports are also subject to publishing in a national newspaper with minimum print runs of 3000 copies.

- 2) Net asset value of each fund, and the final calculation value of issue and buyback prices of the units (shares) issued by those funds in accordance with the procedure and terms stipulated by this law, each fund's portfolio structure. Moreover, any publications containing the information specified in this sub-clause should contain a mentioning that the publicized distribution (buying back) price is the price of the unit (shares and the requirement for acquisition or subscription has been issued on the date of publicizing (until the respective time), unless other procedure is stipulated by the fund rules (charter) for the distribution of units (shares).
 - 3) Announcement on convening regular and extraordinary meetings of the fund, as well as decisions made at the fund meeting. Moreover, the announcement and fund meeting decisions stated in this clause are subject to publishing in a national newspaper with minimum print runs of 3000 copies.
 - 4) Decision on dividend payment to fund participants,
 - 5) Information on persons having significant participation in the Manager's statutory capital, on management, authorities and responsibilities of management.
 - 6) The rules (charter) of the Manager and each fund, changes and amendments made thereto.
 - 7) Information on each fund's custodian.
 - 8) Other information stipulated by the Law of the Republic of Armenia "On Funded Pensions" (in case of pension fund management).
 - 9) Other information defined by the CBA normative legal acts not comprising a trade or other secret or official information.
2. The CBA may define in its normative legal acts the procedure (including disclosure facilities), form and frequency for publishing the information specified under clause 1 of this Article, as well as other information (with the exception of information that in accordance with the law comprises a trade or other operational secret or official information).
 3. When publishing the required information on the fund specified under clause 1 of this Article the Manager of a mandatory pension fund fulfilling functions of management shall first of all state the fact that it is a mandatory pension fund.
 4. Information subject to disclosure in accordance with this Article shall be available at the location of the Manager, as well as in the territories of its branches and representative offices and shall be provided to any person upon their request. Moreover, the fee for providing the requested information may not exceed the reasonable costs required for their preparation (in case of postal delivery, also postal delivery costs). Announcement on the possibility of

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receiving information specified in this clause and the procedure of obtaining such information shall be posted in a visible place in the locations of the Manager, as well as its branches and representative offices.

5. Information published by the Manager in accordance with this Law shall be complete and trustworthy.
6. The rules of this Article shall not apply to exclusively qualified investors fund managers.

Article 95. Advertising of Fund and/or Manager

1. The Manager shall agree with the CBA about advertising information of itself or the fund it manages, no later than 10 days before publication of such information. The CBA shall not permit publishing of information specified in this Article, if it does not comply with the requirements of this Law or other RA laws, and/or contains misleading or false information.
2. Any advertising, announcement or any action, document (including, prospectus) or any other means of communication related to offer and/or sales of fund units (shares) shall contain a note, visually clear and distinct from other information, stating that the fund and its Manager may not guarantee reaching the objectives announced by the fund. The means of exchanging of information specified in this clause shall not contain any statement which is in conflict with the information provided in the prospectus or undermines its importance and should contain a mentioning about the prospectus and as to how the investors or the prospective investors may obtain such a document or familiarize themselves with it.
3. Any advertising or announcement on a Manager implementing mandatory pension fund management activity shall contain a note about its being a Manager of a mandatory pension fund.
4. The Managers shall be prohibited, in advertising, public offer or any other announcement, to:
 - 1) Use misleading information or statements made by other people about the Manager of those assets, which may lead to a misinterpretation of the financial situation of the given fund and/or its Manager, their position in the financial market, fame, business reputation or legal status.
 - 2) Guarantee a predicted or expected growth of the fund assets it manages, as well as the amounts of dividends to be paid and sizes of funded pension.
 - 3) Through ungrounded and misleading statements make any person choose the Manager of the given assets.
 - 4) Apply unfair competition methods by stating any shortcomings of other Managers and/or funds, irrespective of the fact if those statements are true or false.

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Article 96. External Audit

1. The fund manager shall on annual basis invite a person engaged in independent auditing entitled to provide audit services pursuant to procedures of the RA laws and other legal acts (hereinafter referred to as external auditor) to conduct inspection of the fund's financial-business performance of the Manager and its fund. External auditor of the fund shall be appointed at the fund's general meeting (the management board, upon absence of the fund's general meeting) in accordance with the procedures stipulated by the CBA normative legal acts. External auditor for the Manager shall be selected by its general meeting as required by the CBA normative legal act.
2. The CBA normative legal acts may stipulate additional requirements to the external auditor of the fund (manager). A member of the Manager's management body, other head or employee, a member of the Manager's internal audit entity, as well as persons affiliated to the Manager, its heads or other employees may not be a member of the fund (manager) external audit.
3. The fund's general meeting or the Manager's board may invite anytime an external auditor at the expense of the fund, or at the initiative of the fund participant or custodian at its own expenses. Similarly, an audit for the Manager may be invited by the Manager's board or at the initiative of the Manager's participant at their own expenses, respectively. Moreover, if invited by the fund (Manager) participant or custodian thereof, the external auditor as specified above in clauses 1 and 2 shall be selected and contracted by the given participant (custodian), who may claim compensation of the expenses from the fund assets, provided that such audit as agreed by the Manager's board was justified for the fund (manager).
4. The contract with the external audit shall, in addition to the audit conclusion, envisage preparation of an audit report (letter to the Manager's managing body).
5. The Manager shall stipulate by the contract signed with the external auditor a requirement for submission of audit conclusion on:
 - 1) compliance with the prudential economic normative standards established by the fund (manager) in compliance with this Law and the CBA normative legal acts;
 - 2) compliance with the requirements set forth by this Law and the CBA normative legal acts on audit committee (internal audit) of the fund (manager), as well as internal control;
 - 3) availability and quality of the fund's (manager's) internal information system;
 - 4) completeness and trustworthiness of reports submitted to the CBA;
 - 5) compliance with the rules (charter) of qualified investor funds, custody and management (fund management) contracts of the fund with the requirements set forth

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by this Law and the CBA normative legal acts (external audit of qualified investor fund).

6. In the course of the audit, the external auditor shall, upon detection of facts which in the auditor's judgment indicate considerable deterioration of the fund's (manager's) financial situation, as well as faults with internal systems (including internal controls), submit an immediate notification to the CBA but no later than within 5 business days.
7. The CBA may oblige the Manager to invite external auditing of Manager and/or its managed fund within a period of 4 months and post the conclusion of the external auditor in a national newspaper with minimum print runs of 3000 copies.
8. The Manager shall file the annual conclusion and report of the external auditor with the CBA before May 1 of the year following the given fiscal year. Annual conclusion and report of the external auditor of qualified investor funds shall be submitted to the CBA only upon such request of the CBA.
9. The external auditor shall submit to the CBA, upon the latter's request, the necessary documents on the audit provided to the fund and/or Manager, even if they constitute official, commercial, banking or other secrecy. Provision of information to the CBA as established in this Clause shall not be considered as illegally publicizing of a secret or information established by this Law and shall not bring about liabilities. The external auditor shall bear responsibility pursuant to the RA laws for failure to fulfill the obligations provided herein.
10. The CBA and state administration body authorized by the Government may define detailed requirements to the external auditor and the audit conclusion, particularly relating to the form and content, under mutual normative legal acts.
11. The CBA may require the external auditor to provide additional explanations and clarifications on audit conclusion and report.
12. In cases when the audit conclusion and/or report is prepared in violation of the requirements set forth by this Law, other RA laws and legal acts, or provided the external audit is conducted in breach of the procedures defined by this Law and other legal acts, the CBA may refuse to accept it and require that a new external auditor be invited at the expense of the fund and/or Manager.

Article 97. Official Information

1. Any information on the fund's (fund participant's) disclosed accounts, any official or trade secret of the fund (fund participant) of which the Manager, custodian as well as other persons implementing individual activities of fund management (including the Central Depository) became aware of in relation to serving the fund (fund participants) and which the fund (fund

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participant) was intending to keep secret, and the Manager, custodian, or other persons specified in this Clause were aware or should have been aware of such intention, is deemed as official information.

2. Information on the fund (fund participant) filed with CBA according to the provisions defined in clause 1 of this Article by persons subject to oversight in respect of implementation of such oversight shall also constitute as service information.
3. Provisions of the Law of the Republic of Armenia "On Securities Market" in relation to maintenance, provision and publishing of official information shall also apply to official information defined under the Clauses 1 and 2 of this Article.
4. If in the course of analysis of information defined by the Law of the Republic of Armenia "On Money Laundering and Terrorism Financing" it becomes evident that there has been a case or an attempt of illegal leakage or financing of terrorism, the CBA shall directly communicate the matter to the respective criminal investigation body.

SECTION 7 FOREIGN FUNDS CHAPTER 16 FOREIGN FUNDS

Article 98. Trading of Foreign Fund Securities in the Republic of Armenia

1. In order to sell foreign fund securities in the Republic of Armenia, the foreign fund or its Manager shall obtain the prior consent of the CBA Board.
2. In order to get the CBA prior consent, the following documents shall be filed with the CBA in the form and manner prescribed by the CBA normative legal acts:
 - 1) Petition for prior consent;
 - 2) Reference provided by foreign manager and/or competent body dealing with fund control stating that foreign fund and/or foreign manager is authorized to implement such activity, and is acting in compliance with the given country legislation;
 - 3) Notarized Armenian translations of the Manager and/or fund registration certificate, Charter or other founding documents and license, contractual fund rules as prescribed in compliance with foreign manager or fund registration country legislation;
 - 4) Fund or the Manager business plan;

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- 5) Prospectus (with the exception of securities issued by open-end fund or qualified investor fund);
 - 6) Recent annual and semi-annual reports (if the semi-annual report has been formed after the recent annual report) approved by external auditor.
 - 7) Detailed description of the RA shares or share trading and repurchase (redemption), including terms and conditions regarding the payment of shares or shares sale and repurchase (redemption).
 - 8) Agent data enabling the implementation of securities sale and repurchase (redemption) and the respective agreement concluded with it.
 - 9) State duty payment receipt.
 - 10) Other documents defined by the CBA normative legal acts.
3. Procedure and conditions of issuance of permit defined by Clause 1 of this Article shall be defined by CBA normative legal acts.
 4. Sale of foreign fund securities shall be implemented through the agent (with the exception of cases indicated in Clause 5 of this Article) registered in the Republic of Armenia, who meets the requirements of this Law, other RA laws and normative legal acts. Additional requirements may be submitted to such an agent in pursuance of CBA normative legal act.
 5. Securities of foreign funds may also be sold by the Manager of the given fund, operating in the territory of the Republic of Armenia as a Manager, or by a branch of a foreign Manager, established in the territory of the Republic of Armenia. In such a case, documents specified under clause 2 of this Article for obtaining the prior permit specified under Clause 1 of the same Article, relating to the Manager and the agent, shall not be filed with the CBA (provided no changes made in the respective information are available in the CBA).

SECTION 8

REORGANIZATION AND TERMINATION OF THE FUNDS

CHAPTER 17

REORGANIZATION OF THE FUNDS

Article 99. The transformation of Corporate Fund's type and its Reorganization

1. Transformation of the type of fund, and its reorganization shall be enacted based on the decision of the fund general meeting (the Manager's board, as the case may be for funds with an organizational- legal form of a trust association).

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2. Standard (specialized) corporate funds may transform into specialized (standard) corporate funds, or standard (specialized) funds may change from one specified type into another, as well as open-end, interim or close-end corporate funds may transform into close-end, open-end or interim corporate funds (change in the type of the fund).
3. Transformation of the fund types shall be implemented through revision of the fund charter enacted in accordance with the procedures of this Law.
4. In the event of transformation of standard funds into specialized ones, or open-end funds into close-end funds, amendments to the fund charter shall become effective at least three months after their publication.
5. The limitations defined under Clause 4 of this Article shall not apply to the qualified investor funds. In the event of transformation of an open-end qualified investor fund into a close-end one, amendments to the fund rules shall become effective one month after the decision of the fund general meeting (Manager's board, for funds with an organizational- legal form of a trust association) on changes in the organizational structure.
6. A corporate fund may be reorganized solely by acceding to another corporate fund managed by its Manager, if stipulated by Clause 7 of this Article, by another Manager, and, in case of a fund with an organizational- legal form of a trust association, by reorganizing to a fund in the form of a joint stock company.
7. A fund with no Manager as stipulated by this Law may be acceded to another fund managed by a different Manager in accordance with the rules pertaining to enforcement of a management contract concluded with a new Manager.
8. Open-end and interim fund may not accede to a close-end fund. Open-end fund may not accede to an interim fund. Standard fund may not accede to a specialized fund. Voluntary pension fund may accede only to a voluntary pension fund.
9. Reorganization of a corporate fund by acceding to another corporate fund shall be implemented in accordance with the RA Civil Code, this Law, RA Law on Joint Stock Companies, and the CBA normative legal acts by making respective entrance in the CBA fund registry books on termination of the acceding fund operations and recording the amendments to the charter of the fund, with which the first fund acceded.
10. Prior consent of the CBA Board shall be required for the accession of the corporate fund as established by the CBA normative legal act. No prior consent of the CBA shall be required for accession of qualified investor funds.
11. Amendments to the fund charter pertaining to transformation of the corporate fund and its reorganization shall be publicized pursuant to the procedures set forth by the CBA normative legal acts. This requirement shall not apply to qualified investor funds.
12. All expenses incurred in connection with the transformation of the corporate fund or its

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reorganization shall be covered by its Manager.

Article 100. Transformation of the Fund Type and Accession

1. Transformation and accession of the type of a contractual fund shall be enforced based on the decision of the Manager's board and its approval by the fund's general meeting (if available) for contractual fund.
2. Standard (specialized) contractual funds may transform into specialized (standard) contractual funds, or standard (specialized) funds may change from one specified type into another.
Open-end, close-end, and interim contractual funds may transform into close-end, open-end, and interim ones (change in the type of the fund).
3. Transformation of the fund's type shall be implemented by appropriate revisions of the fund's rules enacted in accordance with the procedures of this Law.
4. In the event of transformation of standard funds into specialized ones, or open-end funds into close-end funds, amendments to rules shall become effective at least three months after their publication.
5. The restrictions defined under Clause 4 of this Article shall not be applicable to the qualified investor funds. In the event of transformation of an open-end qualified investor fund into a close-end one, amendments to the charter shall become effective one month after the decision of the Manager's board on changes in fund type is made.
6. Merger, de-merger and spin-off of the fund shall be prohibited.
7. Accession of one fund with another shall be implemented in accordance with this Law and the CBA normative legal acts by declaring that the registration of rules of the joining fund(s) be voided and by registering the amendments to rules of the acceded fund.
8. Prior consent of the CBA Board shall be required for accession of the fund, whereas no prior consent of the CBA is required for accession of qualified investor funds. The CBA agreement shall not be required in case of accession of a qualified fund.
9. Accession of a contractual fund shall be possible only with another contractual fund managed by the same Manager. A fund which happened not to have a Manager in cases stipulated by this Law may enter into accession contract with another fund managed by a different Manager in accordance with the rules pertaining to transfer of fund management to a new Manager. Open-end or interim funds may not be acceded to close-end funds. Open-end funds shall not be acceded to interim funds. Standard fund may not accede to a specialized fund. Voluntary pension fund may accede only to the voluntary fund. Mandatory pension fund may accede only to similar pension fund within the meaning of Article 42, Clause 1 of the Law

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of the Republic of Armenia “On Funded Pensions”.

10. In case of accession, the acceded fund’s assets and liabilities shall transfer to the new fund under a deed of transfer.
11. Amendments to the fund rules pertaining to transformation of the type and accession shall be publicized pursuant to the procedures set forth by the CBA normative legal acts. This requirement shall not apply to qualified investor funds.
12. All expenses incurred in connection with the transformation of the fund type or accession, shall be covered by the Manager.

CHAPTER 18

TERMINATION (LIQUIDATION) OF FUNDS

Article 101. Liquidation of the Corporate Fund

1. In addition to the grounds set forth in the RA Civil Code and the RA Law on Joint Stock Companies, a corporate fund shall be liquidated upon:
 - 1) Expiry of the period of activities of the fund as established by its fund charter;
 - 2) Failure to meet the minimum net asset requirement set forth by this Law, 6 months after registration of the fund rules.
 - 3) Decrease of the net asset value of the fund lower than the minimum requirement set forth by this Law for a period longer than 6 months.
 - 4) Decrease of the net asset value of the fund to ½ of the minimum requirement set forth by this Law.
 - 5) Cease (termination) of the custody and/or management contract of the fund in accordance with this Law and failure to appoint a new custodian and/or Manager within a 2-month period after termination or accession to another fund, which has a different Manager.
 - 6) Other cases stipulated by the Law or fund charter.
2. Given the presence of grounds specified under Items 2) through 5) of Clause 1 in this Article and absence of the decision of fund’s general meeting (Manager’s board, for funds with an organizational-legal form of a trust association) to terminate the fund, the CBA shall as solicited by the custodian or at its own discretion file a claim with the court for liquidation of the fund.
3. In cases specified under Clause 1 of this Article the fund may be terminated based on the decision of the fund’s general meeting (Manager’s board, for funds with an organizational-legal form of a trust association) only given the prior consent of the CBA Board issued in accordance with the CBA normative legal acts, unless such liquidation endangers the rights

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and legal interests of the fund participants. The above prior consent shall not be required from the qualified investor funds. Funds with an organizational- legal form of a trust association may also be liquidated for grounds other than those specified under Clause 1 of this Article, by announcing its termination at least 6 months in advance.

4. The fund's general meeting (Manager's board, for funds with an organizational- legal form of a trust association) shall assign a liquidation committee, the chairman and members of which should be persons with appropriate qualification recognized by the CBA normative legal acts. The CBA shall oversee the liquidation process of the fund, whereas the liquidation committee shall be accountable to the CBA for its activities.
5. After a complete distribution of the fund assets the fund liquidation committee shall make the liquidation balance sheet, which after being approved by the fund general meeting (Manager's board, for funds with an organizational-legal form of a trust association), shall, within 3 days, be submitted to the CBA, accompanied with all the documents required by the CBA normative legal act, for registration of liquidation of the fund.
6. On submission of documents specified in Clause 5 of this Article, the CBA shall, within 10 days, adopt a decision to approve or disapprove the liquidation balance sheet by indicating the grounds for disapproval. The CBA waives its decision on approval of the liquidation balance sheet, if the liquidation committee has violated the requirements set forth under this Law or the CBA normative legal act.
7. In the event when the CBA rejects the liquidation balance sheet, the liquidation committee shall within 10 days eliminate reasons on grounds of which the liquidation balance sheet was rejected and after its approval by the fund liquidation committee (Manager's board, for funds with an organizational- legal form of a trust association) it shall be resubmitted to the CBA. The CBA shall examine the new petition to comply with provisions of Clause 6 of this Law.
8. The CBA, after approval of the liquidation balance sheet thereby, shall within 3 business days make records in the fund register on excluding the liquidation fund there from.
9. The fund shall be deemed liquidated and its activity terminated upon the date when the relevant records on termination of the fund are made by the CBA, by notifying thereby the state authority responsible for legal entities registration within 5 business days to make relevant records on such a case.
10. The liquidation committee, after receiving the CBA decision on approval of the liquidation balance sheet shall within 3 business days publish this information in the form and manner as prescribed by the CBA normative legal acts, after which it is released from its obligations of fund liquidation.
11. Upon liquidation of a voluntary pension fund, the fund participant's assets are not subject to return, but units (shares) of other voluntary pension fund shall be purchased by the fund

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participant, at their expense and in the latter's name, within 5 business days after fund selection by the given custodian in accordance with this Clause.. The custodian shall be obligated to notify the liquidated fund participants in writing and in a due manner about their rights and the consequences as envisaged in this clause. Failure to file a claim within 5 business days upon receiving of the notification the respective assets shall be paid in the form of a lump-sum payment to the participant having made no selection.

Article 102. Termination of the Contractual Fund

1. Termination of the fund occurs upon:
 - 1) Expiry of the term of activities of the fund as established by the fund rules;
 - 2) Failure to meet the minimum net asset requirement set forth by this Law, 6 months after registration of the fund rules.
 - 3) Decrease of the net asset value of the fund below the minimum rate set forth by this Law for a period longer than 6 months.
 - 4) Decrease of the net asset value of the fund to $\frac{1}{2}$ of the minimum rate required by this Law.
 - 5) Termination (cease) of the custody and/or management contract of the fund in accordance with this Law and failure to appoint a new custodian and/or Manager or accede to another fund, which has a different Manager within a 3-month period after the termination.
 - 6) Other cases stipulated by the Law or fund rules.
2. The decision on termination of the fund shall be rendered by the Manager or the custodian upon absence of the Manager, further approved by the fund's general meeting (if available). Given the presence of grounds specified under Items 2) through 5) of clause 1 of this Article and absence of the decision to terminate the fund, the CBA shall as solicited by the custodian or at its own discretion file a claim with the court for termination of the fund.
3. In cases specified under Clause 1 of this Article, the fund may be terminated based on such decision of the Manager (custodian) only given the prior consent of the CBA Board issued in accordance with the CBA normative legal acts unless such termination endangers the rights and legal interests of the fund participants. No prior consent shall be required from the qualified investor funds.
4. Termination of the fund shall be administered by the Manager or the custodian upon absence of the Manager in accordance with the procedures established by this Law and the CBA normative legal acts. The CBA shall oversee the process of termination of the fund, whereas the Manager (custodian) shall be accountable to the CBA for its activities.
5. The announcement about termination of the fund, the period (no shorter than two months) and procedure for claims advanced by the creditors of the fund as well as the interim

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termination balance sheet composed by the Manager (custodian) after the deadline for submission of the above claims shall be published by the Manager or custodian (if the Manager is not available) in a newspaper with at least 3000 print runs in the Republic of Armenia.

6. The Manager (custodian) may, upon termination of the fund, engage in activities and enter into transactions, aimed at the performance of the liabilities assumed by the fund, including realization and distribution of the fund assets.
7. Subsequent to satisfying the claims advanced by creditors of the fund, as well as in cases when the fund has no liabilities to creditors as of approval of the interim termination balance sheet, the fund assets shall be divided among the fund participants proportionate to their participation in the fund. Payments against units held by the fund participants shall be denominated exclusively in money means.
8. The fund manager (custodian) shall, immediately after full distribution of the fund assets, compile a termination balance sheet, approved by the fund's general meeting (if available), and submit it to the CBA for registration in one package with other documents required by the CBA normative legal acts.
9. After submission of documents specified in Clause 8 of this Article, within 10 days, the CBA shall adopt a decision to approve or disapprove the balance sheet by indicating the reasons thereof. The CBA shall reject the approval of termination balance sheet if the Manager (custodian) has violated the requirements established under this law or the CBA normative legal acts.
10. In the event when the CBA rejects the termination balance sheet, the Manager shall within 10 days eliminate reasons on the grounds of which the termination balance sheet was rejected, and after its approval by the terminated fund general meeting (if available) it shall be file a new petitioned to the CBA. The CBA shall examine the new petition to comply with provisions of Clause 9 of this Law.
11. The CBA, after its approval of the termination balance sheet, shall within 3 business days make relevant records in the contractual fund rules register regarding termination of the contractual fund rules.
12. The fund shall be deemed terminated as of the date making relevant records with the CBA. The CBA shall notify within 5 business days the state authority for registration of legal entities about termination of the fund to enable the latter to register the termination in a due manner.
13. The Manager (custodian), after receiving the CBA decision on approval of the termination balance sheet shall within 3 business days publish this information in the form and manner as prescribed by the CBA normative legal acts, after which it is released from its obligation of fund termination.

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14. When the mandatory pension fund has terminated its activities, the fund participant's assets are not subject to return, instead, units (shares) of other selected by this Law voluntary (mandatory) pension fund are purchased by the fund custodian (fund registrar), at its expense and in its name, within 5 business days after the given custodian selects the fund as prescribed by this Clause. If it failed to make such a selection within 5 business days after being duly notified in a written form about the issue of urgency and form of selection of such fund under this clause by the fund participant, the fund selection shall be made by the register of participants within 5 business days through the program module of random selection pursuant to the Law of the Republic of Armenia "On Funded Pensions".
15. In case of termination of a voluntary pension fund, the fund assets shall be distributed among the fund participants in the manner established by Article 101, clause 11 of this Law.

SECTION 8

SUPERVISION AND SANCTIONS

CHAPTER 19

SUPERVISION AND RESPONSIBILITY FOR INFRINGING THE REQUIREMENTS OF THIS LAW

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

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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

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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,

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- 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.

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

SECTION 10 OTHER PROVISIONS

Article 111. Notification on Incompleteness of Documents Submitted to the CBA and Notification on Changes Made

1. If any documents required by this Law and/or the CBA normative legal acts are not attached with the petition, specified by this Law, subject to filing with the CBA and/or in the case of deficiencies found in them, the CBA shall within 5 business days warn the person having filed petition about it. In its turn, the notified person shall within 10 calendar days submit all the required documents and/or eliminate the deficiencies found therein. In such a case the petition shall be deemed submitted from the moment all the documents are duly filed with the Central Bank.
2. If any changes in the submitted documents have occurred during the examination period of the petition by the CBA, the petition holder shall within reasonable time, but at least before the CBA would adopt an appropriate decision on approval or rejection of the petition, keep informed the CBA in writing about such changes, by presenting relevant documents, whenever required. The petition shall be deemed submitted, on the condition that the information with the subsequent documented changes has been entered into the CBA.

Article 112. Suspension of Terms provided by Law

1. The dates defined for registration, licensing, prior consent as well as relating to any other issue that require an appropriate CBA decision may be suspended by the CBA for the purpose of their detailed investigation, but no more than 6 months.
2. In the event the CBA failed to make a decision on suspension of terms defined in the above clause, it shall be considered that the CBA has made such a decision and it is positive, and the CBA shall take all those actions that it shall have taken pursuant to this Law as if it has made a positive decision within the defined terms. Terms calculation for such actions shall commence from the closing day of such a CBA decision.

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Article 113. Delivery of the CBA Decision

1. The CBA decision on registration, licensing, prior consent, as well as any other issue should be grounded and certain.
2. The CBA decision on registration, licensing, prior consent as well as any other issue defined by this Law shall be delivered to the person having filed the petition within 3 business days upon its adoption.

SECTION 11

CONCLUSION AND TRANSITIONAL PROVISIONS

Article 114. Conclusion

This Law shall enter into force on the tenth day of its official promulgation.

Article 115. Transitional Provisions

1. Provisions on the custodians of mandatory pension funds specified in Article 86 (2) of this Law shall become effective upon the date prescribed by the Law of the Republic of Armenia "On Funded Pensions".
2. Petitions specified by this Law for fund (fund rules) registration and Manager registration and licensing may be submitted to the CBA unless the CBA relevant legal act on regulating registration (registration and licensing) enters into force.