

**LAW OF THE REPUBLIC OF ARMENIA
ON FULLY FUNDED PENSIONS**

Chapter 1: General Provisions

The purpose of this Law is to establish opportunities for receiving incomes in addition to state pension by persons having attained the pension age who have done fully funded contributions during the course of their employment activities performed in the Republic of Armenia, by securing the direct link between the contributions paid and pension received and empowering the person who makes contributions to decide the amount of his/her funded pension through selecting an Asset Manager to manage the funded assets and the management policy of such assets in the manner as envisaged in this Law.

Article 1: The Purpose of the Regulation and the Subject of the Law

This law defines the structure of the Fully Funded Pension system, the process of management of the funded component and the authorities of state bodies engaged in its administration, as well as the functions of Pension Fund Managers, Register of Participants, the Custodian and the scope of natural persons entitled to engage in the funded scheme on voluntary or mandatory basis, the rights and responsibilities of Participants of the funded scheme, maintenance of Individual Funded Accounts, Pension Asset custody, investment of Pension Assets, responsibility for breaches of this Law, types of pension payments and the process and terms of acquisition thereof, as well as regulate other issues related to Mandatory Fully Funded Pensions.

Article 2: Definitions used in the Law

For the purpose of this Law the following terms shall have the following meanings:

Pension Fund Manager: as per Law of the Republic of Armenia “On Investment Funds”, a legal entity entitled to manage Pension Fund.

Individual (personified) record keeping: maintains personified information on funded contributions of a person as per Law of the Republic of Armenia “On Personified Record Keeping.”

Individual Account: Individual Account operated by the Register of Participants where Contributions to the fully funded pension system and incomes from investment thereof, less charges and fees, are deposited.



Sole proprietor: as per Law of the Republic of Armenia “On Sole Proprietor”,

Annuity: amount payable monthly to a retiree for life against a lump sum transfer on a contractual basis of Pension Assets by the Register of Participants to an insurance company selected by the Participant. These payments may be flat or increase.

Insurance company: as per Law of the Republic of Armenia “On Insurance and Insurance Activity.”

Self-employed persons: an individual who on regular basis receives income from engaging in activities not prohibited by law, including an owner of an agricultural land parcel, a person making contributions for activities as defined in RA Law “On License Fees.”

Bridge account: special treasury account operated by the state body functioning in the financial sector of the Republic of Armenia authorized to receive Contributions where contributions to the funded pension component are transferred to the Register of Participants.

Mandatory Fully Funded Pensions: pensions paid on the basis of individual and state contributions and investment income, provided to a Participant as per the rules defined by this Law.

Basic income: salary and resources equalized to it, income received from civil-legal agreements as a result of performing works (services) and entrepreneurial activities subject to taxation under Law of the Republic of Armenia “On Unified Income Tax.”

Contributions: pension contributions at rates stipulated by this Law to be paid to Individual Accounts by Participant and the State aimed at financing Mandatory Fully Funded Pensions.

Voluntary Funded Pension: additional pension paid on the basis of voluntary funded contributions made by employers (within the scope of individual and collective agreements) and natural persons paid through “defined contributions”, “defined benefits” and “funded pension deposits” pension scheme and pension assets scheme.

“Voluntary Pension Scheme” complete set of requirements and procedures defined in line with requirements of law relating to provision of voluntary funded pension by the Pension Fund, insurance company or a bank, which incorporates respectively the procedure and timeline of making pension, insurance or deposit payments, as well as the conditions, timeline and procedure of calculation and payment of voluntary (additional) pensions.

“Defined Contribution” pension scheme: voluntary funded scheme in case of which contributions done for participants are calculated in the amount of certain percentage of their basic income or on other regular basis and are transferred to individual accounts and the future pension of a participant depends on contributions paid by such a participant and the return on investment of such contributions.

“Defined Benefit” pension scheme: a voluntary funded scheme in case of which an insurance company promises a defined rate of pension to a participant. Contributions depend on the

agreement entered into with the insurance company and may be paid on non-regular basis and the pension is not dependent on return on participant's contributions.

Pension Age: an age as defined by Law of the Republic of Armenia "On State Pensions".

Pension secret – information about the Participant's pension contributions, balance of the Individual Account and other related information of which the Employer, State authorized bodies, the Register of Participants and the Central Bank were aware about this or had a duty to be aware of it.

Funded Pension Assets: a sum of assets on Individual Accounts generated by contributions to the fully funded pension component and income from management thereof, less authorized fees and costs.

Participant: persons working under employment contracts, notaries, sole proprietors and self-employed persons who participate in the Fully Funded component and are making contributions to a Fully Funded Pension system in the manner prescribed by this Law.

Register of Participants: a limited liability company and/or joint stock company, which on the basis of the agreement entered into with the Government of the Republic of Armenia administers the Register of Participants, as well as perform functions as defined by this Law and the agreement entered into with Government of the Republic of Armenia.

Notary: as defined by law Republic of Armenia "On Notary Activities".

Pension Fund: as per law of the Republic of Armenia "On Investment Funds".

Programmed withdrawal: monthly payments at the expense of funds accrued in the Individual Accounts, which is provided in the defined manner.

Affiliated persons: as per Law of the Republic of Armenia "On Investment Funds."

Custodian: a person performing custody of pension funds as per Law of the RA "On Investment Funds."

Social Security Card: a card as defined by the law of the Republic of Armenia "On Social Security Cards."

Article 3: Legislation Regulating the Fully Funded Pension Component

The fully funded pension component of the pension system in Armenia shall be regulated by RA Constitution, Civil Code of the Republic of Armenia, International agreements of the Republic of Armenia, this Law and regulations (normative legal acts) adopted on the basis thereof, other laws and legal acts. Provisions of other laws shall apply to relationships regulated by this Law to the extent they do not conflict with the provisions of this Law.

Article 4: Funding Sources of Funded Pensions

Funding funded pensions shall be performed on the basis of Contributions by the Participants, supplementary payments by the state as per this Law, and/or incomes from investment thereof.

Chapter 2: Participation in the Mandatory Fully Funded Pension Component, Procedure of Contribution Collection and Deposit onto Individual Accounts

Article 5: Mandatory Participants in the Mandatory Fully Funded Pension System

1. The following categories who were born on January 1, 1970 and after are mandatory Participants in the Mandatory fully funded pension component of the pension system:
 - a/ employees,
 - b/ notaries,
 - c/ sole proprietors.
2. Foreign citizens and persons without a citizenship who were born on January 1, 1970 or later are mandatory participants in the Mandatory fully funded pension component of the pension system if they get basic income in the manner as established by legislation of the Republic of Armenia.

Article 6: Voluntary Participants in the Fully Funded Pension Component

1. The following persons may be Participants in the Mandatory fully funded pension component of the pension system by joining it on a voluntary basis:
 - 1) if mentioned people born prior to 1970:
 - a/ Employees,
 - b/ notaries ,
 - c/ sole proprietors,
 - 2) Self-employed persons, whenever they were born,
 - 3) Foreign citizens and stateless person born before 1970, who receive basic income in the manner as established by legislation of the Republic of Armenia.
2. For persons specified in Point 1 of this Article the decision to join the fully funded component shall be final. They shall not be entitled to change the decision on joining the fully funded component and get back to the previous system, irrespective of changing or quitting the job.
3. Persons provided in point 1 of this Article shall, upon deciding to voluntarily join the funded scheme, open a pension account with the Register of Participants through the respective web site or banks or other means as envisaged by the Government of the Republic of Armenia. Persons provided in point 1 of this Article should receive a statement of information about opening of a pension account from the site (means) through which they opened their pension account. A person having voluntarily joined the mandatory funded scheme shall be obligated to provide the above-mentioned statement of information to his/her employer (tax agent), who will process the actions as provided in Article 8 of this Law.

UNOFFICIAL TRANSLATION

The employer (tax agent) shall calculate and make funded contributions from the basic income of the next month following the month of notification by the person having voluntarily joined the funded system.

If upon changing the employer the person fails to notify the new employer about voluntarily joining the mandatory funded component, the employer shall, from the subsequent salaries of the person, transfer the whole amount due for mandatory funded contributions.

Persons provided in point 1, sub- point 1, “b” and “c” of this Article, having voluntarily joined the mandatory funded scheme shall independently make mandatory funded contributions.

Article 7: Rates of Contributions to the Fully Funded Component

1. Mandatory contributions to the fully funded component shall be paid at the rate of 10% from the tax base paid as follows:
 - 1) if hired employees, foreign citizens and persons without citizenship participating in the scheme are concerned and they are in receipt of basic income in the manner as envisaged by legislation of the Republic of Armenia and such income does not exceed AMD 500,000, they shall be obligated to make monthly funded contribution in their individual account in the amount of 5% of the basic income, and the remaining 5% shall be contributed by the State from the State Budget to secure 10% of required contributions;
 - 2) if hired employees, foreign citizens and persons without citizenship participating in the scheme are concerned and they are in receipt of basic income in the manner as envisaged by legislation of the Republic of Armenia and such monthly income exceeds AMD 500,000, AMD 25000 shall be paid from the State Budget to their individual account and the remaining contributions shall be paid by such persons to secure 10% of required contributions;
 - 3) an individual entrepreneur or a notary, who participates in the scheme and whose basic annual income does not exceed AMD 6,000,000, shall be obligated to make monthly funded contributions in his/her individual account in the amount of 5% of the basic income, and the remaining 5% shall be contributed by the State from the State Budget to secure 10% of required contributions;
 - 4) in case of an individual entrepreneur or a notary, who participate in the scheme and whose basic annual income exceeds AMD 6,000,000, annually AMD 300000 shall be paid from the State Budget to the individual account and the remaining annual contributions shall be paid by such a person to secure 10% of required contributions.
2. Participants voluntarily joining the funded pension scheme as provided in Article 6 of this Law shall contribute at the rate of 5% of the basic income.” The state shall make no contributions to his/her individual account.

3. A person shall be obligated to make funded contributions until s/he attains the pension age. In case a participant continues to work even after attaining the pension age, s/he shall be exempt from making mandatory funded contributions. However, s/he can continue to voluntarily participate in the mandatory funded scheme. Funded contributions shall be made until the time when the Register of Participants receives a relevant application on its termination. The Register of Participants shall notify the authorized body in charge of collecting funded contributions and administering individual reporting about termination of the person's funded contributions.

Article 8. Payment of Fully Funded Contributions

1. Employers acting as tax agents are in charge of calculating and transferring Mandatory fully funded Contributions to the state body authorized to receive Contributions on behalf of their Employees.

Employers are considered as tax agents also in regard to persons performing works and delivering services on the basis of civil-legal agreements, as defined in Article 6, point 1, sub-point 1”a” and Point 2, those voluntarily joining the mandatory funded scheme, pursuant to sub-point 3.

2. Employers are obliged to clarify whether their Employees must make mandatory fully funded pension contributions and are responsible for calculating, withhold and make fully funded pension contributions from the basic income at rates as envisaged in the manner as envisaged in the Law of the Republic of Armenia on the Unified Income Tax.

The Employers shall be obligated also to calculate, withhold and make fully funded pension contributions on monthly basis from the basic income at rates as envisaged in Article 6 points 1, sub point a/, and parts 2 and 3 of the same Article, in the manner as provided by the Law of the Republic of Armenia on Unified Income Tax law.

The fact of voluntarily joining the funded pension component as provided in Article 6, point 3 of this Law shall be cross-checked with the employer and the state authorized body in charge of collecting fully funded contributions in the manner as provided by the Government of the Republic of Armenia.

3. Employers shall, within the timelines established by Law of the Republic of Armenia “On Unified Tax”, submit an individual/personified report to the State body authorized to collect contributions on a form and in the manner to be established in regulations of the State body authorized to collect contributions, including at minimum the following items:
 - a) name and surname of the Participant, including a person performing works and delivering services on the basis of civil-legal agreements,
 - b) social security card number or number of the statement specifying absence of the social card,
 - c) amount of taxable income as provided by the Law of the Republic of Armenia On Unified Income Tax.
 - d) amount of the Contributions of each Participant, and
 - e) TIN number of the employer/tax-payer

4. Sole proprietors, notaries and self-employed persons, with the exception of persons performing works and delivering services on the basis of civil-legal agreements as provided in point 3 of this Article, contributing on their own behalf on annual basis are responsible for calculating the mandatory fully funded pension contribution at the rate provided in this Law and paying it within the time limits specified by the Law of the Republic of Armenia on the Unified Income Tax.

Persons performing works (delivering services) on the basis of civil-legal agreements, foreign citizens and persons without citizenship in receipt of basic income as envisaged by RA legislation, who are joining or are obligated to join the mandatory funded scheme and whose employers are exempt by law or international agreements from acting as a tax agent, shall be obliged to independently calculate and pay on monthly basis the mandatory funded contributions in the manner as established in this law.

5. Notaries, individual entrepreneurs and persons envisaged under clause 4, paragraph 2 of this Article, with the exception of persons performing works and delivering services on the basis of civil-legal agreements as provided in point 3 of this Article, are obliged to, within timelines established by Law of the Republic of Armenia “On Unified Tax”, submit a report to the State body authorized to collect contributions encompassing the following information:

- a) name and surname of the notary, individual entrepreneur, self-employed person,
- b) social security card number or number of the statement specifying absence of the social card,
- c) amount of income subject to taxation of the notary, individual entrepreneur, self-employed person,
- d) amount of fully funded contribution made by a notary, individual entrepreneur, and self-employed,
- e) the TIN (tax payer registration number) of a notary, individual entrepreneur and a self-employed person (if available).

6. All entities who are obliged to make Mandatory Fully Funded Contributions according to this law must do so at the same time as payment of the Unified Tax.

7. The regulations of State body authorized to collect contributions and perform personified record keeping shall establish the forms required to be incorporated in the report.

Article 9: Conveying Information on Participants and Transferring Fully Funded Contributions to the Register of Participants

1. The State body authorized to collect contributions must process the individual data of the Fully Funded Contribution reports within 10 (ten) days after the due date, or the date of actual submission of the report, and for records where there are no apparent errors and for which contributions were made to the Bridge account, the state body authorized to receive Contributions and process personified record keeping shall issue payment orders

- to the Treasury aiming at transferring funds from the Bridge Account and from the state budget of the Republic of Armenia to the Register of Participants.
2. The State body authorized to collect contributions submits personified information on collection of fully funded contributions to the Register of Participants simultaneously with the instructions indicated in point 1 (on the same day).
 3. The personified information of the State body authorized to collect contributions sent to the Register of Participants shall encompass the following information about the Participants:
 - a) name and surname of the Participant,
 - b) social security card number of the Participant or number of the statement specifying absence of the social card,
 - c) amount of the fully funded Contribution,
 - d) amount of the Contribution from the State Budget
 - e) TIN (tax payer identification number) of the Employer, as well as a notary and an individual entrepreneurs of Contributions,
 - f) Any other information required in applicable regulations of the state body authorized to collect contributions and perform personified record keeping.
 4. The procedure for correcting errors related to the transfer of mandatory fully funded Contributions and information on them shall be defined by the Government of the Republic of Armenia. There shall be no refunds of overpayments of mandatory fully funded Contributions once the funds have been transferred to the account of the Register of Participants. Instead, such overpayments shall be recouped from future payments due, except on the basis of a court act resolving the subject matter and when modifications are done on the basis of the inspection act.

Article 10. Opening of Individual Pension Accounts

1. On the basis of the first payment in regard to persons as specified in Article 5 of this Law the Register of Participants shall open an Individual Account for the participant. Participants, as provided in Article 6 of this Law, shall be obligated to file with the Register of Participants an application on opening of an account, on the basis of which the Register of Participants shall open an Individual Account for such persons.
2. Register of participants shall notify Participants in writing about the opening of a pension account, as well as the fact that in case the Participant fails to submit an application on selection of the Pension Fund Manager and Pension Fund within a period of thirty days such a selection shall be done randomly by using the program module.
3. The Individual Account shall be administered by the Register of Participants until its inheriting as defined in this Law or termination of the right of its inheriting.

Article 11. Converting Fully Funded Contributions to Pension Fund Shares

1. The state body authorized in the financial sector of the Republic of Armenia shall, upon receipt of instructions from the state body authorized to collect contributions, transfer Mandatory fully funded contributions to the Register of Participants account opened with the Central Bank, in the amount instructed by the State body authorized to collect contributions.

The Register of Participants shall, based on the information received from the State body authorized to collect contributions, distribute the total amount received from the state body authorized to receive Contributions to the Individual Accounts of the Participants.

2. Information provided by the State body authorized to collect contributions and perform individual record keeping are identified (compared) with the Individual Account number and then distribution of amounts is as to Participants is processed.
3. Concrete Pension fund shares (hereinafter, referred to as share) shall be issued on the basis of amounts transferred to individual accounts of Participants. Each time new entries are made, new shares shall be issued, which shall be added to the individual account of a Participant.

Given the amount of shares issued for each pension fund, the Register of Participants shall transfer certain amount of money to the account of each pension fund manager attached with information on the amount that has been added to the specific pension fund offered by pension fund manager.

4. The Register of Participants shall provide information to the pension fund Managers on the total amount of Contributions made by Participants. This information shall be provided to the pension fund Managers without any identifying information, that is the pension fund Managers possess no information which would allow them to identify the specific person. The Register of Participants may at a maximum provide the Pension Fund Managers the information as envisaged in Article 18, Point 6 of this Law.
5. The initial nominal value of the share shall be determined by the Government of the Republic of Armenia.

Article 12. Providing Information about the Balance of an Individual Account

1. The Register of Participants must report once a year no later than on the 15th of April to the Participant on the balance of Individual Account covering the period of previous calendar year.
2. This report must be in writing, if the Participants have specified no other media for receiving of information. Information provided in point 1 of this Article shall be sent by the Register of Participants to the address of the tax agent having done the last payment, provided the participant has not specified a more desirable address. The Participant may, at his/her discretion, terminate receipt of statements.

UNOFFICIAL TRANSLATION

3. The format, contents and procedure of the reporting shall be defined by the Government of the Republic of Armenia.
4. Additional information may be requested in writing for a fee, not to exceed the cost plus the reasonable income of Register of Participants.
5. Register of Participants shall update the information in its website on daily basis. A Participant shall get a free access to the information about such a Participant located in the website of Register of Participants.

Article 13. Status of Fully Funded Pension Assets and Limitations Thereof

1. Pension Assets expressed as shares on the Individual Accounts shall be considered to be the private property of the Participant.

The Pension Assets of married persons shall be considered as the personal property of each of them.
2. The property rights to possess, dispose and use of the Pension Assets are limited up to the time of one of the following events:
 - 1) attainment of Pension Age according to the Law of the Republic of Armenia “On State Pensions”,
 - 2) death of Participant,
 - 3) the Participant is recognized in the manner established by legislation as a disabled of third degree in terms of engaging in employment activities;
 - 4) serious sickness and incurable sickness vital organs of the Participant as diagnosed by state body of the Republic of Armenia authorized in healthcare sector;
 - 5) the Participant is leaving the country for permanent residence in another country.
3. The ownership rights to Pension Assets may not be subject to the following:
 - 1) a pledge;
 - 2) invested in the charter capital of a legal entity;
 - 3) invested or alienated in any other manner;
 - 4) used in a way which may lead to termination of ownership rights to the pension assets.
4. Until Pension Age stipulated in the Law of the Republic of Armenia “On State Pensions” a lien on the Pension Assets of a Participant may not be imposed.

Chapter 3: Management of the Fully Funded Component of the Pension System

Article 14: Authorities of the State Body in Charge of Collecting Individual Contributions and Performing Individual (Personified) Record Keeping

1. The State body authorized to collect contributions and perform individual (personified) record keeping shall:
 - 1) manage the fully funded pension component's individual (personified) database in accordance with a procedure defined by legislation,
 - 2) receive individual reports on fully funded contributions from employers and in a lawfully defined manner verify the accuracy of the reports,
 - 3) receive and in a lawfully defined manner verify the accuracy of the reports on Contributions by Self-employed persons, notaries, sole proprietors within the time periods established by the law of the Republic of Armenia "On the Unified Income Tax",
 - 4) compare the information received from Employers each month with the database of personified records,
 - 5) compare the information received from Self-employed persons, notaries, sole proprietors with the database of personified records,
 - 6) enforce the responsibility of Employers, notaries, sole proprietors and the Self-employed to pay Contributions and to provide reports about collections to the state body authorized in the financial sector of the RA Government,
 - 7) inform Employers and Self-employed persons, individual entrepreneurs and notaries on necessary corrections of errors related to Contributions paid or information provided and to submit corrected reports,
 - 8) consider claims concerning errors in payment or reporting of Contributions by Employers, notaries, sole proprietors and the Self-Employed that arise when requests for corrections,
 - 9) submit relevant instructions to transfer Contributions deposited onto the Bridge Account of the state body authorized to receive Contributions to the Register of Participants account at the Central Bank,
 - 10) submit personified information related to paid Contributions to the Register of Participants,
 - 11) respond to the written applications of Participants concerning Contributions and reports,
 - 12) adopt regulations and conduct inspections within the scope of its authorities,
 - 13) prepare and submit reports to the Government of the Republic of Armenia and the Authorized body of financial sphere on the fully funded pension system's individual record database and its administration, if is so requested, and

- 14) undertake other functions arising from this Law.
2. The State body authorized to collect contributions is obliged to provide electronic and/or paper document forms necessary for the Employers and the Self-employed persons to report personified reports, which will be compatible with the individual record database managed by the State body authorized to collect contributions.

Article 15: Authorities of the Central Bank

The Central Bank shall:

- 1) Define the prudential requirements related to the market, operational, liquidity risks of the activities of Pension Fund Managers,
- 2) Approve pension fund descriptions of Investment Pension Fund of Pension Fund Managers and business plan of each Pension Fund Managers, incorporating Investment Program,
- 3) Define the format of reports to be submitted by pension fund Managers to the Participants and the general public,
- 4) Draft public information materials concerning the mandatory fully funded pension system, using pension fund Manager reports prepared in accordance with this Law,
- 5) In cases and in the manner as established in this Law approves or does not accept the contents of commercials and other commercial publications by pension fund Managers,
- 6) Oversee the compliance of pension fund Managers, Custodians and the Register of Participants with this Law and implementing regulations,
- 7) Receive reports from pension fund Managers, Custodian and Register of Participants submitted in accordance with a specified procedure and analyze them,
- 8) Within own authorities, conduct inspections with the Register of Participants, Pension Fund Managers, and Custodians,
- 9) Define the general rules for administration of the Register of Participants, including administration of individual accounts of participants, shifting of pension assets into shares in the manner as envisaged in this Law, as well as general rules of custody of pension assets,
- 10) Carry out other functions derived from this Law, and other legal acts.

Article 16: Functions of the Register of Participants

The Register of Participants shall, on the basis of an agreement with the Government of the Republic of Armenia:

- 1) Perform functions of a Register of Participants in the manner as established in this Law and other legal acts;
- 2) Open Individual Accounts for Participants in the manner as established in this Law;
- 3) In case of opening of pension accounts for persons envisaged in Article 6 of this Law, notify thereon the authorized body in charge of collecting mandatory funded contributions and handling personified record keeping;
- 4) Manage the Individual Accounts of Participants, and convert Pension Assets into units in accordance with this Law and other legal acts;
- 5) Transfer the Pension Assets of Participants to the Custodian of the selected Asset Manager, without disclosing the identity of the Participants,
- 6) Provide information to the Participants on the balance of their Individual Accounts in accordance with Article 12 of this Law;
- 7) Transfer funds from one Pension Fund Manager to another Pension Fund Manager following instructions of the Participants, no less than thirty (30) days after receipt of the application to transfer,
- 8) Transfer funds from Individual Accounts to Insurance Companies for entering into an Annuity agreement as provided under this Law,
- 9) Make lump sum payments or payments of program withdrawals to Participants as provided under this Law,
- 10) Transfer Pension Assets from Individual Accounts of deceased Participants according to this Law, following the instructions of their heirs as defined under this Law, in accordance with this Law,
- 11) Implement the issuing of pension fund shares, their repayment, exchange and daily calculation of share value;
- 12) Report to the Central Bank in accordance with the procedure and frequency defined by the Central Bank, and
- 13) Undertake other functions necessary to enforce this Law and its agreement entered into between the Government of the Republic of Armenia and the Register of Participants.

Article 17: Functions of the Authorized Body of Financial Sphere

The authorized body of financial sector shall:

- 1) Informs the State body authorized to collect contributions of receipt to contributions, and upon receipt of instructions from the State body authorized to collect contributions, transfer funds from the Bridge Account to the account of the Register of Participants,

- 2) Prepare a prognosis of Contributions to be made from the State Budget in accordance with this law for each fiscal year, and which takes account for the development of the State Budget of the RA,
- 3) Secure unified policy in the funded pension component,
- 4) Submit recommendations to the RA Government regarding temporary investment limitations in compliance with points 1 of Article 44 and Article 68 of this Law.

Chapter 4: Pension Secret

Article 18. Keeping of Pension Secret

1. An Employer, the Registry of Participants, the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping and the Central Bank shall be obligated to guarantee keeping of information constituting pension secret.
2. Employers, the Registry of Participants and the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping and the Central Bank shall be obligated to undertake such technical means and define organizational rules which shall be mandatory for keeping in a due manner the information constituting pension secret.
3. Managers, officers and persons having previously served in a capacity of a manager or an officer of the Employer, the Registry of participants, the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping and the Central Bank shall be prohibited from disclosing information constituting pension secret which they were entrusted or learned during the course of or in connection with acting in a official capacity, nor shall they use such information for either their own or third person's interests, directly or indirectly enable third persons to use it, which entails allowing, not impeding or making it available in violation of the procedure on keeping of such information.
4. An Employer, the Register of Participants and the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping may publicize in the court information about a Participant's information constituting a pension secret in cases and within the limits necessary to protect the rights and lawful interests of a Participant provided the dispute is between the Participant and the Employer, the Registry of Participants, the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping and the Employer.
5. An Employers, the Registry of Participants and the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping shall be obligated to inform each other information about pension accounts of

Participants in order to protect the rights of the Participant, except for information about the Pension Fund Manager and the pension fund selected by the Participant.

6. Register of Participants or the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping may provide the following information to a Pension Fund Manager at a maximum:
 - 1) number of participants having chosen each investment pension fund of the given Pension Fund Manager;
 - 2) age range of participants having selected each investment pension fund of the given Pension Fund Manager –with an age range of at least 10 years;
 - 3) age range of participants having quitted each pension fund of the given Pension Fund Manager within the course of the given quarter - with an age range of at least 10 years;
 - 4) number of participants having joined each pension fund of the given Pension Fund Manager on quarterly basis;
 - 5) salary range of participants of each pension fund of the given Pension Fund Manager – with a minimum range of AMD 100000, as well as salary range of participants having joined each pension fund of the given Pension Fund Manager during the course of the given quarter – with a minimum range of AMD 100000;
 - 6) number of participants joining each pension fund of the given Pension Fund Manager, who attain the pension age during the given year.

Register of Participants and the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping shall be obligated to secure non-accessibility of information they possess or other information which may be used for recording by Pension Fund Managers or which the latter can use to identify a specific participant, employer, or the sector of Participant's engagement.

Article 19. Provision of Pension Secret to the Bodies of Criminal Investigation

1. An Employer, the Register of Participants and the state authority in charge of collecting funded contributions and handling personified record keeping shall, pursuant to this Law, provide information constituting pension secret to criminal investigation bodies solely on the basis of court decision in compliance with RA Criminal Procedure Code.
2. An Employer, the Registry of Participants and the state body authorized to collect contributions shall be obligated to, within two working days upon receipt of the court decision, provide the criminal investigation body or the person authorized by such a body the information required by such a decision.
3. It shall be prohibited to inform the Participants about providing the criminal investigation bodies with information about them which constitutes pension secret.

Article 20. Providing of Pension Secret to the Court

1. An Employer, the Registry of Participants and the state body authorized to collect contributions shall provide information constituting pension secret about a participant who is a party to civil and criminal cases only based on a court decision taken in the manner as envisaged by RA Civil Procedure Code and RA Criminal Procedure Code.
2. An employer, the person administering the registry of participants and the state authority authorized to collect contributions shall be obligated to, within two working days upon receiving of the court decision, provide the court or the person authorized by court the information and documents required by such decision, ruling or verdict.
3. It shall be prohibited to inform the Participants about the fact of receiving of the court decision or verdict taken in the manner as envisaged by the Criminal Code of the Republic of Armenia and providing of information constituting pension secret to the court.

Article 21. Providing Pension Secret to Heirs of a Participant

1. An Employer, the Registry of Participants, the state body authorized to collect contributions shall provide information constituting pension secret about a participant to heirs in the manner as envisaged by this Law, provided the latter have submitted relevant documents substantiating inheritance rights.
2. An Employer, the Registry of Participants and the state body authorized to collect contributions shall be obligated to, within ten working days upon receipt of documents substantiating the heritage rights, provide information constituting pension secret about a Participant and the available documents.
3. Refusal by an Employer, the Registry of Participants and the state body authorized to collect contributions to provide information and documents as provided in this Article or failure to provide them within the specified timeline may be challenged in the court. Losses incurred by applicants or organizations due to refusal or failure to provide information and documents within the timeline as set in this Law shall be subject to compensation in the manner provided in this Law, provided there has been no good reason for declining or the timelines have been missed due to the fault of an employer, the Registry of Participants and the state authorized body in charge of collecting individual contributions and maintaining individual (personified) record keeping.

Chapter 5. Pension Fund Manager

Article 22. Functions of a Pension Fund Manager

1. Pension Fund Manager shall provide Pension Fund management services to Participants, in accordance with this Law.

Pension Fund Managers engaged in management of pension funds may not engage in other activities, with the exception of management of voluntary pension fund as defined in this Law and standard fund management activities as envisaged in the Law of the Republic of Armenia “On Investment Funds.”

2. A Pension Fund Manager is obliged to provide asset management services for Pension fund under identical conditions to each Participant who have chosen the given Pension Fund Manager in accordance with this law.
3. A Pension Fund Manager shall be obligated to implement the pension fund management services in a professional manner, scrutiny and carefulness, acting in good faith and act solely and exclusively in interests of the Participants (fiduciary duty).
4. A Pension Fund Manager must keep its assets separate from the Pension Assets of Participants and keep a separate accounting for such assets.
5. Pension Assets belonging to the Participants and under the Pension Fund Manager’s management are not the property of the Pension Fund Manager, may not be subject to execution against an Pension Fund Manager, shall not be a part of the assets of the Pension Fund Manager to which the bankruptcy procedure applies.
6. A Pension Fund Manager shall, on the basis of market value of each Pension Fund, re-evaluate the value of the fund on daily basis, based on which the current value of funded units shall be determined.

Article 23. Organizational-Legal Form of a Pension Fund Manager

1. Pension Fund Managers may be established in the organizational-legal forms as established by the Law of the Republic of Armenia “On Investment Funds”.
2. Activities of a Pension Fund Manager shall be regulated by the RA Civil Code, as well as by the provisions of other laws and legal acts, unless otherwise provided by this law.

Article 24. State Registration and Licensing of a Pension Fund Manager

1. The CBA performs the state registration and licensing of the Pension Fund managers in the manner as established by the Law of the Republic of Armenia “On Investment Funds”.

Article 25. Requirements and Limitations to Pension Fund Managers

Requirements and limitations applicable to managers of open contractual funds as defined by Law of the Republic of Armenia “On Investment Funds” shall be applicable to Pension Fund Managers.

Article 26. Firm Name of a Pension Fund Manager, Limitations to Participation, Governance Bodies and Managers, Professionalism and Qualifications Thereof

Issues relating to the firm name of a Pension Fund Manager, limitations to participation in its capital, governance bodies and managers, as well as professional fitness and qualifications of Managers shall be regulated according to Law of the Republic of Armenia “On Investment Funds.”

Article 27. External Audit of Financial Activities. Annual Audit Conclusion/Statement

1. Financial-economic activities of a Pension Fund Manager shall be subject to an audit on annual basis by an auditing entity. The auditor shall meet the requirements of the Law on Audit to act as the auditor of the financial-economic activities of a Pension Fund Manager. In case of meeting such requirements only the audit entity may be entitled to provide audit services to the Pension Fund Managers.
2. Once per each year an audit of a Pension Fund Manager may be invited any time by the Board at the expense of the Pension Fund Manager.
3. An agreement with the auditing entity should stipulate a provision on inspection of accuracy of statements/reports submitted by the Pension Fund Manager to the Central Bank, as well as justification on meeting the requirements as defined by this Law and regulations as per basic economic normative requirements and reserves.
4. In the event of revealing real facts of the risk of losses of pension assets during the course of auditing the auditing entity shall be obligated to immediately, but no later than within 3 (three) working days, inform the Central Bank about any facts, which it concludes that there is a significant risk of loss of Pension Assets, as well as shortcomings in the internal systems (including the internal oversight system).
5. An auditing entity shall bear equal financial liability for non-revealing of violations during the course of auditing and for the harm caused as a result of that to third persons.
6. The Pension Fund Manager shall be obligated to publicize, as well as display on its web site the financial statements of the company and the conclusion of the auditing entity.
7. The Asset Manager shall submit the auditing conclusion and the statement to the Central Bank by May 1 of the year following the given financial year.
8. An auditing entity of the Pension Fund Manager shall submit a conclusion concerning the following:
 - 1) Observation by the Pension Fund Manager of economic normative and the requirements to the Pension Fund as defined by this law and Central Bank regulations;

- 2) Meeting the requirements with respect to the internal audit, internal oversight system of the Pension Fund Manager, as defined by this law and Central Bank regulations;
 - 3) Availability or quality of the internal IT system of the Pension Fund Manager;
 - 4) Completeness and accuracy of reports submitted to the Central Bank.
9. The Central Bank of the Republic of Armenia may require an auditing entity to provide additional explanations and clarifications with respect to its conclusion and report/statement/.

**Article 28. Oversight over Pension Fund Managers.
Responsibilities of a Pension Fund Manager to Submit Reports**

1. Pension Fund managers shall be obligated to submit financial statements/reports and information as defined in this Law and Law of the Republic of Armenia “On Investment Funds.” Pension Fund Managers shall be obligated to submit also other statements/reports as defined by CBA regulations.
2. The statements/reports and information submitted by Pension Fund Managers should be accurate and complete.

Article 29. Information about a Pension Fund Manager and its Publicizing

1. Information about a Pension Fund Manager should be accessible for everyone.
2. Pension Fund Managers should be obligated to have a website on permanent basis with the following information:
 - 1) Financial statements/reports (at least last semi-annual and last quarterly) and the external audit conclusion regarding the annual reports. Pension Fund Managers shall be obligated to publicize via mass media the statements/reports envisaged in this clause;
 - 2) Composition and structure of pension funds/pension assets;
 - 3) Information about profits;
 - 4) Information on decisions on paying of dividends, as well as copies of acts of the Pension Fund Manager defining the Company Dividend Policy (if applicable);
 - 5) Information about the entities with an essential participation in or ownership of the Pension Fund Manager, including the names and the share of participation thereof in the statutory capital of Pension Fund Manager;
 - 6) Membership list of the board and the executive body and personal data thereof (first and second names, date of birth, CV).

In addition to information specified in sub-clauses 1 through 5 of this clause, the Central Bank may require Pension Fund Managers to publicize other information in their web sites, press and other mass media according to the timeline and in the manner as specified in Central Bank regulations, except for commercial secrets, pension or other confidential information as established by Law.

3. Pension Fund Managers should on a daily basis publicize updated information on the investment portfolios proposed by them in their web site or other media accessible for the public.
4. Pension Fund Managers should, till May 1 of a next year following the end of the financial year, publicize in the press the audit conclusion, the annual financial report.
5. Pension Fund Managers shall not use any misleading information in their commercials, public tenders or announcements or use the announcements made by other persons, which can be misleading as to the financial situation, financial market position, reputation, goodwill and the legal status of the given Pension Fund manager.
6. Methodology of calculating revenues gained from the pension fund and standards of filing information on revenues shall be defined by RA CBA.
7. Information publicized or provided by a Pension Fund Manager in accordance with this Article must be accurate and complete.

Article 30. Statutory Capital of a Pension Fund Manager and Requirements Thereto

The minimum statutory capital of a Pension Fund Manager shall be defined by RA CBA, however it may not be less than AMD five hundred million in case of mandatory pension fund managers and not less than AMD two hundred million in case of voluntary pension fund managers.

Article 31. Advertisements of a Pension Fund Manager

1. A Pension Fund Manager shall be obligated to get the approval of the Central Bank regarding the contents of an advertisement no later than 10 days before its announcement.
2. The Central Bank shall be entitled to prohibit publicizing of any information if such information is in contradiction with:
 - a/ Law on Advertisement of the Republic of Armenia,
 - b/ this law, as well as the Central Bank regulations,
 - c/ includes false or misleading information;
3. A Pension Fund Manager shall be prohibited:
 - 1) Guaranteeing through the publicized information a forecasted or an expected increase of Pension Assets, as well as the forecasted amounts of mandatory funded pensions;
 - 2) Having an influence on a person through ungrounded or misleading promises, by making the latter to select the given Pension Fund Manager;
 - 3) Using commercial materials aimed at unfair competition, by pointing to any of the drawbacks of other entities engaged in similar Pension Fund management business, irrespective of accuracy of such information.

Article 32. Termination of Activities of a Pension Fund Manager

1. A Pension Fund Manager may at its discretion terminate its activity (voluntary termination).
2. In the event of termination of activities at its discretion the Pension Fund Manager must inform the Central Bank and the Register of Participants at least six months in advance.
3. In the event of revocation of the license of the Pension Fund Manager's license by the Central Bank, bankruptcy (compulsory execution of activities) the Central Bank must inform the Register of Participants within a period of three days upon taking the decision.
4. The Register of Participants shall within ten (10) days notify the Participants having selected the given Pension Fund Manager about termination of activities of that Pension Fund Manager and that they have the right to select a new Pension Fund Manager.
5. Within sixty (60) days after receipt of information the Participants must choose a Pension Fund Manager and the Pension Fund in accordance with Article 38 of this law.
6. If the Participants do not make a choice according to point 5, then the Register of Participants distributes them among Pension Fund Managers in the manner as envisaged in Point 1 of Article 39 of this law.
7. Days when the regulated market of the Republic of Armenia is closed by CBA action shall not be counted in determining the time limits in this Article.

Chapter 6. Custody of Pension Fund Assets

Article 33. Custodian of the Pension Fund

1. Custody of pension funds shall be implemented in the manner established in this Law and Law of the Republic of Armenia "On Investment Funds."
2. A Custodian must provide its services of custody of assets professionally and correctly, acting in good faith for the sole and exclusive interest of the Participants (fiduciary duty).
3. A Custodian must keep its assets separate from funded Pension Assets of other persons and administer separate accounting thereof.
4. A bank holding a license for banking activities in RA and also serving as a custodian according to the "Law on Securities Market" in RA for a minimum of two years, may serve as a custodian of Pension Assets. A Pension Fund Manager may not enter into a custody agreement with a custodian affiliated to it.
5. In case the Pension Fund Manager possesses pension assets outside the territory of Republic of Armenia as well, the Custodian shall be obligated to sign relevant contract with a sub-custodian for the purposes of implementation of custody functions through the

sub-custodian. A sub-custodian should be a bank holding a license from the authorized body of the given country and be engaged in banking activities.

6. The Custodian shall be entitled to perform the custody of two and more Pension Fund Managers at the same time. The Custodian is obliged to separate and administer separate accounts for its own assets and for the assets of each Pension Fund Manager with respect to any transactions and entries performed.
7. Pension Assets are not the property of the Custodian, may not be subject to execution against a Custodian, shall not be a part of the assets of the Custodian to which the bankruptcy procedure applies.

Article 34. Functions of the Custodian

In addition to functions as defined by Law of the Republic of Armenia “On Investment Funds”, the Custodian is obliged to notify the Central Bank about any violations by a Pension Fund Manager of the requirements of this law, Central Bank regulations and the investment program or any well-founded suspicion of such violations. In case of revealing such a violation or suspicion as defined in this Article, the Custodian should notify Central Bank thereon within 1 day.

Article 35. Responsibility of the Custodian

1. In the manner as established by legislation of the Republic of Armenia, the Custodian should be responsible for failure to perform or for non-properly performing of its obligations.
2. The agreement entered into between Pension Fund Manager and the Custodian may not limit the responsibilities of the Custodian as specified in this law and other laws.
3. The Custodian shall bear responsibility for damages caused due to the failure or non-proper performance of responsibilities by the latter. Such damages may not be compensated at the expense of pension assets delivered to custody.
4. According to Article 33 point 5 of this law, in case of delegating the responsibilities of the Custodian to a sub-contractor, the Custodian shall alongside with the sub-contractor bear equal responsibility for the damages caused.

Article 36. Termination of the Custodian Activities

1. A Custodian may at its discretion terminate its activity (voluntary termination).
2. In the event of voluntary termination the Custodian must inform the Central Bank, the Register of Participants, and the Pension Fund Manager at least ninety (90) days in advance.

3. In the event of revocation of the Custodian's license, as well as recognizing the custodian as bankruptcy (involuntary termination) the Central Bank must inform the relevant Pension Fund Manager of the fact within three (3) days upon taking the decision.
4. Within thirty (30) days after the Pension Fund Manager has been informed of the termination, it must formulate a plan for an orderly transition to the services of another Custodian.
5. The Pension Fund Manager shall be obligated to enter into a custody agreement with another Custodian within sixty (60) days.
6. When the contract with a Custodian is terminated, the Custodian shall release the Pension Assets in its custody and all documents relating to the performance of its duties to a new Custodian. The Custodian shall be liable for performance of its duties until all such documents and assets have been completely transferred.

Chapter 7: Selection of Pension Fund Managers and the Pension Funds

Article 37. Obligation of Participants to Select Pension Fund Managers

1. Participants to a funded component shall be obligated to select only one Pension Fund Manager and one Pension Fund.
2. Full information about the Pension Fund Managers and their pension funds shall be available on the web site of the Register of Participants, as well as in writing at the territorial centers of State body authorized to collect contributions, banks and in other locations to be determined by the Government of the Republic of Armenia.

Article 38. Selection of a Pension Fund Manager and the Pension Fund

1. A participant shall submit an application to the Register of Participants to select a Pension Fund Manager and a Pension Fund.
2. An application mentioned in the 1st clause of this Article shall incorporate the following information:
 - 1) first and second names of the Participant;
 - 2) social security card number or the number of the statement on non-holding of a social security card;
 - 3) contact information of the participant (telephone, e-mail and etc.);
 - 4) preferable means of receiving information by the participant from the Register of Participants (by letter, e-mail and etc.);
 - 5) name of the selected Pension Fund Manager and the Pension Fund;
 - 6) certification about agreeing with the management requirements of the selected Pension Fund Manager;

- 7) certification that s/he is aware about the obligation to make funded contributions;
 - 8) date (year/month/day) of submission of the application; and
 - 9) signature of the participant, with the exception of cases when the application has been filed electronically in a manner which ensures identification of the person.
3. Central Bank regulations shall define the format of the application form envisaged in point 1 of this Article.

Article 39. Failure to Select a Pension Fund Manager and a Pension Fund

1. If a Participant fails to perform its obligations in terms of selecting a Pension Fund Manager and a Pension Fund, the selection on behalf of the Participant shall be done by the Register of Participants through a program module. The program module shall randomly allocate the Participants among the Pension Fund Managers proportional to the choices made by Participants who made choices. Assets of Participants having failed to select a Pension Fund Manager shall be invested in the average risk (conservative) Pension Fund of a randomly selected Pension Fund Manager.
2. The Register of Participants shall be obligated to duly notify the Participant in writing about selection of a Pension Fund Manager and Pension Fund on his/her behalf, as well as inform the Participant about his/her right to change the Pension Fund Manager and the Pension Fund.
3. Participants shall also be able to notify the Register of Participants about any modification of their personal data in the application to select a Pension Fund Manager and the Pension Fund.

Article 40. The Right of the Participant to Change a Pension Fund Manager

1. A Participant shall be entitled to change his/her Pension Fund Manager and/or Pension Fund once every twelve (12) months without any fee. In case of changing the Pension Fund Manager more than once a fee shall be charged in compliance with point 2 of Article 48 of this law. No fee shall be charged for changing the Pension Fund, provided the Participant chooses another Pension Fund of the same Pension Fund Manager. No fee shall be charged for changing an Asset Manager, provided the Participant has selected a new Pension Fund Manager for managing his/her future contributions, whereas the previous contributions remain under the management of the same Pension Fund Manager. In such a case a Participant shall fill out and file with the Register of Participants an application on selection, which should incorporate the information as provided in Article 38, point 2 of this law.
2. A participant shall file an application with the Register of Participants for the purposes of changing of his/her Pension Fund Manager and/or the Pension Fund. An application shall contain at minimum the information listed in Article 38, point 2 as well as name of the

UNOFFICIAL TRANSLATION

previous and new Pension Fund Managers and Pension Fund, as well as the names of old and the newly selected Pension Fund Managers and the Pension Funds.

3. The Register of Participants shall refuse the application on changing of a Pension Fund Manager or the Pension Fund provided application on selection of a new Pension Fund Manager or the Pension Fund falls short of requirements of this law.
4. The Register of Participants shall notify the Participant about the refusal, by providing the reasons for refusal in writing within 5 days.
5. In case a fee is due according to point 1 of this article for changing the Pension Fund Manager or the Pension Fund, the Register of Participants shall, upon learning about the willingness of the Participant, notify the Participant thereon and the amount of the fee due.
6. On the next day of filing by a Participant of an application to the Register of Participants on selecting a new Pension Fund Manager or a new Pension Fund the Participant's contributions shall be directed to the new Register of Participants Manager and/or the new to the Register of Participants.

In case of selecting to transfer the pension funds from the old Pension Fund Manager and the old Pension Fund to a new Pension Fund Manager and a new Pension Fund, the Participant's funds shall be directed to the new Pension Fund Manager and a new Pension Fund within thirty (30) days following the filing of an application.

In case of changing of the Pension Fund Manager value of the share shall be calculated at the defined price of the day of filing of the application.

7. Application form(s) for changing of a Pension Fund Manager and/or the Pension Fund shall be established by the Central Bank regulation.
8. Days when the regulated market of the Republic of Armenia are closed by CBA action shall not be counted in determining the time limits in this Article.
9. The Register of Participants may perform the obligations as specified in Points 4 and 5 of this Article through the information system, through the venues as defined by the Government of the Republic of Armenia.
10. Maximum of one year period may be defined by RA Government Decision, during the course of which it shall be prohibited to change the pension funds and select new pension funds, aiming at financial stability and requirement for resisting a chaotic situation in the financial market.

Chapter 8. Investment of Mandatory Funded Pension Assets

Article 41. Principles of Investment of Funded Pension Assets

1. Funded pension Assets may be invested in accordance with the requirements of regulations adopted following the requirements of this Law.

Pension Fund Managers shall be obligated to have at least 1% participation of their own assets in each mandatory pension fund. In case of reduction of the minimum rate as defined in this paragraph the Pension Fund Manager shall, within one month, be obligated to complete the norm of 1% participation in each mandatory pension fund.

2. For the purposes of maximizing the efficiency of investments in favor of mandatory funded scheme Participants the investments should be based on the following principles:
 - 1) security of funded Pension Assets;
 - 2) diversification of risks;
 - 3) securing of relevant liquidity of assets.
3. Investment of Funded Pension Assets for reasons and principles other than those stipulated in clause 1 of this Article shall be considered as violation of obligations undertaken by a Pension Fund Manager.
4. Pension Fund Manager shall be obligated to introduce a risk management system, which will enable it to monitor and assess risks at any time and their share in the general risks of the Pension Fund. The Central Bank shall provide requirements to the risk management system in regulations.

Article 42. Description of the Fully Funded Pension Fund

1. Mandatory Funded pension funds are as follows:
 - 1) Balanced fund the portfolio of which consists of a maximum of 50% in constant income investment (bonds) and a maximum of 50% of shares;
 - 2) Conservative fund the portfolio of which consists of a maximum of 75% fixed income securities (bonds) and 25% in equities (stocks),
 - 3) Fixed Income fund the portfolio of which must be invested in 100% fixed income investment (bonds).
2. Pension Fund Managers must submit to the Central Bank of the Republic of Armenia an investment program for each mandatory pension fund, which shall define the method of performance of requirements as envisaged in this Law:
 - 1) the method of performance of requirements as envisaged in this Law;
 - 2) Types of assets in which the Pension Assets may be invested;
 - 3) Parties responsible for decisions related to making and realizing investments by the Pension Fund Manager;

- 4) Procedures for making investment decisions; and
- 5) Method and conditions of revising the investment program.

Assets acquired for mandatory pension funds should meet the requirements of this Law. Each Pension Fund Manager should be obligated to offer a conservative fund.

3. The Central Bank may issue regulations providing for additional requirements with respect to pension funds.
4. Each mandatory pension fund registered by a Pension Fund Manager should be distinguished from other mandatory pension funds registered by the same Pension Fund Manager by at least 15% shares of stock.

Article 43. Permissible Investments of Mandatory Funded Pension Assets

1. Mandatory Funded Pension assets may be invested in the Republic of Armenia and foreign states.
2. Mandatory Pension Assets may be invested in foreign states in the following instruments:
 - 1) deposits and bank accounts of financial organizations that are accredited and supervised in OECD countries;
 - 2) securities issued by OECD states;
 - 3) securities listed by the authority regulating the capital market and the regulated market of OECD states;
 - 4) shares of investment fund shares listed by the authority regulating the capital market in OECD states.

The Central Bank regulations may define systems for determining ratings of foreign companies, where it would be permissible to invest the mandatory funded assets.

3. Pension Assets may be invested in the Republic of Armenia in the following assets:
 - 1) bank accounts and deposits of banks licensed by the Central Bank, provided the bank license is not suspended or withdrawn;
 - 2) securities issued by the Republic of Armenia and the Central Bank of the Republic of Armenia;
 - 3) legal entities registered in the Republic of Armenia the securities of which are listed in the regulated market of the Republic of Armenia or other regulated markets and registered with the relevant authorized body regulating the capital market;
 - 4) securities of investment funds supervised by the authorized body of the Republic of Armenia regulating the capital market.

The Central Bank regulations may define requirements for rating of legal entities registered in the Republic of Armenia, in which it would be permissible to make investment of funded pension assets.

Article 44. Limitations on Investment of Funded Pension Assets

1. Mandatory Funded Pension Assets may be invested in instruments listed in Article 43 of this Law only within the scope of quantity and value limitations as defined by the Government of the Republic of Armenia.
2. Mandatory Funded Pension Assets may not be invested in the following:
 - 1) securities issued by the Pension Fund Manager or Custodian, as well as by persons related to them;
 - 2) securities issued by the auditor of the Pension Fund Manager or Custodian, as well as by its founders (participants);
 - 3) securities issued by persons providing counseling services to the Pension Fund Manager or Custodian as well as by founders (participants) thereof;
 - 4) derivative securities, except for investments for hedging purposes;
 - 5) non-listed securities;
 - 6) assets not subject to alienation or subject to limitations by law;
 - 7) real estate or other physical assets, provided such assets are not listed in regulated markets or if the valuation thereof is unclear (pieces of art, commemorative coins, religious icons, antique goods, valuable cars).
3. Funded pension Assets may not be sold to the following persons:
 - 1) Custodian;
 - 2) Pension Fund Manager;
 - 3) members of the management board of the Pension Fund Manager or Custodian;
 - 4) persons affiliated to persons stipulated in sub-clauses 1; 2 and 3 of this clause.
4. The Pension Fund Manager and Custodian may not issue loans and guarantees of any kind to each other.
5. A Pension Fund Manager shall be obliged to take measures to adjust investment activities to the requirements specified in this law, while meeting the other requirements of this Section to maximize returns and preserve Pension Assets, provided limitations as provided in points 1 of this Article have been breached as a result of:
 - 1) changes in market prices constituting a basis for valuation of assets;
 - 2) changes in foreign currency rates;
 - 3) changes in economic and organizational relations between organizations in shares of which pension assets have been invested;
 - 4) other circumstances independently and beyond the control of a Pension Fund Manager.
6. The adjustment of investment activities to the requirements specified in this law shall be completed no later than six (6) months after the date on which the breach occurred or the date when a valuation of assets indicates that there had been such a violation.
7. The Pension Fund Manager shall be obligated to vote with the relevant stock shares it holds solely and exclusively in the interests of Participants.

8. Days when the regulated market of the RA are closed by RA CBA action shall not be counted in determining the time limits in point 6 of this Article.

Chapter 9. Fees for Services

Article 45. Making Fees for Services

1. There shall be fees charged for the services of Pension Fund Managers in the amount as defined in this Law as envisaged in Article 47 of this Law.
2. The fees for services must be economically justified and insure a reasonable profit to Asset Managers, Custodians and the Register of Participants.

Article 46. Fees of the Custodian

The fees of the Custodian shall be set in the contract entered into between the Pension Fund Manager and the Custodian at the expense of the Pension Fund Manager.

Article 47. Fees for the Management of Pension Funds

1. The Pension Fund Manager shall determine a fee for services and inform the Central Bank.
2. The annual pension fund management fee of a Pension Fund Manager shall not exceed 1.5% of Pension Assets under management of the given Pension Fund Manager.

Article 48. Fees for Services of Register of Participants

1. The fees indicated in Article 47 shall also include the fees charged by the Register of Participants. The maximum amounts shall be set in the contract entered into between the Government of the Republic of Armenia and the Register of Participants.
2. In case of changing the Pension Fund Manager more than one time during the course of twelve months the Register of Participants shall collect and transfer the fee to the Pension Fund Manager. Pension Fund Asset Manager shall define a fee for repayment of shares, which may not exceed 1% of the net value of assets as of that particular day.
3. No fee shall be charged if a Participant changes among pension funds of the same Pension Fund Manager.
The fee is not charged in the event of the termination of a Pension Fund Manager's participation as provided in Article 32.

4. For making new contributions a Participant shall be entitled to select a new Pension Fund Manager or a new pension fund of another Pension Fund Manager for which no charges shall be collected.
5. A fee shall be charged from a Participant or his/her heir for filing of an application to the Register of Participants regarding the Pension Fund Manager, the Pension Fund or inheritance related issues, which may not exceed the total amount of expenses incurred for such purposes by the Register of Participants and the reasonable income.

Chapter 10. Payment of Fully Funded Pensions

Article 49. Types of Funded Pensions

1. Types of funded pensions are as follows:
 - 1) Annuity;
 - 2) Program withdrawals;
 - 3) Lump sum payments.
2. The size of the funded pension is determined based on the Pension Assets available in the Individual Account of a Participant and the time period of payment of funded pensions and the amount thereof.
3. The Register of Participants of the Republic of Armenia and the insurance companies should use universal mortality tables for both genders for the purposes of calculation of annuities and program withdrawals.
4. Funded pensions may be subject to a lien pursuant to the legislation of the RA.

Article 50. Procedure of Receiving Funded Pension by a Participant Upon Attaining the Pension Age

1. A participant shall be entitled to mandatory funded pension provided s/he has attained the pension age. A Participant may dispose of his/her mandatory funded pension irrespective of the fact of receiving of state pension. A participant may use the mandatory pension funds at any point in time upon attaining the pension age or may not use it at all.
2. In case of attaining the pension age the Participant shall file with the Register of Participants an application on receiving a statement of information on the funded pension assets available in his/her individual account. The application form/format shall be determined by CBA regulations.

3. Given the size of funded pension assets available in the individual account of a Participant, it may be managed in the following manner:

a) if the monthly annuity amount of the Participant's assets is less than 25% of the basic pension or is equal to it, the Participant shall be entitled to receive the funded assets in the form of program withdrawals or receive them in the form of a lump sum payment;

b) if the monthly annuity amount of the Participant's assets is more than 25% of the basic pension but less than five-fold of such pension, the Participant shall be obligated to manage his/her assets through purchasing of annuity;

c) if the monthly annuity amount of the Participant's assets is more than five-fold of the basic pension, the Participant shall pay part of his/her assets to purchase an annuity securing five-fold of basic pension. S/he shall be entitled to manage the remaining assets in the form of program withdrawals or receive such assets in the form of a lump sum payment.

The Participant shall be obligated to submit an application on his/her selection to the Register of Participants.

4. The right to annuity shall arise despite of whether or not the receiver of annuity is in receipt of annuity, state pension and/or other benefit from other sources.

Article 51. Transferring of Cash Available in the Individual Account to the Insurance Company

1. The Participant shall file a written application to the Register of Participants to provide information about the selected insurance company and the Annuity agreement, as well as about reimbursing Individual Account shares and transferring the accumulated cash to the insurance company. The application form, as well as the list of documents attached to it shall be defined by Central Bank regulations.

2. The Register of Participants shall be obligated to notify the Pension Fund Manager about the claim on reimbursement and shall reimburse the issued shares within 30 days and transfer the funds received from the Pension Fund Manager to the insurance company stated in the Participant's application.

3. Should the Register of Participants fail to transfer the assets in time, it shall pay a fine to the Participant in the manner prescribed by the Civil Code of the Republic of Armenia.

4. The insurance company shall inform the Participant having entered into an agreement with it in writing about receipt of cash from the Register of Participants and the amount within 7 days following receipt thereof.

Article 52. Types of Annuities

1. Types of annuity are:
 - a) Single Life Annuity guaranteed for 10 years or 5 years (hereinafter, annuity guaranteed for certain period of time);
 - b) Annuity of married couples, with guarantee period of 10 or 5 years.
2. Annuity guaranteed for certain period of time is payable throughout the lifetime, however payments are guaranteed for at least 10 years or 5 years (certain period of time) from the moment of assignment of pension. In the event a Participant dies before expiration of the 10 or 5 years period, the beneficiaries established in the Agreement or persons recognized by law as heirs shall be entitled to receive from the insurance company the balance of the Annuity guaranteed for a certain period of time.
3. The Annuity of married couples shall be paid during the lifetime of the person for whom it has been assigned. Upon the death of the Participant the Annuity shall be continued to be paid to the surviving spouse throughout the lifetime as per amount fixed in the Annuity contract. If both spouses die during the guarantee period the heirs thereof shall receive the balance of the guaranteed amount.
4. The proceeds of an annuity payment agreement may not be pledged as a security for performance of other liabilities.
5. Government of the Republic of Armenia may establish other types of annuities.

Article 53. Entering into Annuity Payment Agreement

1. An insurance company shall pay an Annuity to the Participant from the cash transferred to it from the Individual Account of the Participant. An insurance company is obligated to conclude an annuity agreement with any Participant who has selected one of the annuities provided by the insurance company in accordance with this Law (public contract).
2. The Participant and the insurance company shall enter into Annuity payment agreement, by taking into consideration the requirements established by this law and related regulations.
3. For the purposes of entering into an Annuity payment agreement a Participant shall submit to the insurance company (paper or electronic format) a statement of information on availability of assets in the Individual Account of the Participant issued by the Register of Participants. The balance of the Individual Account shall be calculated from the moment of joining the mandatory fully funded component of the pension system and through the date of filing an application to the Register of Participants.

4. When entering into an Annuity agreement an insurance company may not require from the Participant any information on the health condition or medical conclusion of sickness of the latter.
5. An Annuity payment agreement shall establish the following:
 - 1) Type of annuity;
 - 2) Age of the Participant;
 - 3) Lump sum amount transferred to the insurance company;
 - 4) Amount, time period and frequency of Annuity payment;
 - 5) Grounds of termination of Annuity payment and conditions thereof;
 - 6) Liability for breach of Annuity agreement.
 - 7) Other conditions defined by law.
6. Alongside the essential requirements as established by this law, other laws of the Republic of Armenia and Central Bank regulations, an Annuity agreement may stipulate provisions agreed upon by the parties not conflicting with this law.

Article 54. Termination of an Annuity Agreement

1. A Single Life annuity agreement is terminated in the event of the death of the Participant, or in case of an annuity agreement for a married couple, after the death of the spouse with the exception of the case as envisaged in point 2 of this Article.
2. In the event of the death of persons receiving annuity during guaranteed period of time in case of paying the remaining amount to heirs.
3. In the event the insurance company violated the terms of the agreement by failing to pay the annuity twice, the Participant (or spouse) can terminate the agreement, in a procedure to be established in Central Bank regulations and to require Insurance company to reimburse lost income.
4. The methodology for calculating the balance to be transferred to another insurance company shall be established by Central Bank regulations.

Article 55. Program Withdrawal

1. If the circumstances prescribed in the Article 50, clause 3 sub clauses a/ and c/ are available, funded pension shall be paid in the form of program withdrawal.
2. Program withdrawal is a pension paid on monthly basis at the expense of funds accumulated in the Participant's Individual Account, which is divided by the months of life expectancy.
3. Government of the Republic of Armenia shall define the methodology of calculation of program withdrawals.

Article 56. Lump Sum Payment

1. A lump sum payment shall be made:
 - 1) Balance of individual account of the Participant after purchasing of the annuity;
 - 2) In the case as defined in Article 50, point 3, sub-point “a” of this Law;
 - 3) To a Participant recognized as a third degree disabled prior to Pension Age in the manner as envisaged by RA legislation in the amount of whole balance of the pension account;
 - 4) To a Participant who is in an extreme health condition or whose vital organs are in an incurable condition as per medical conclusion issued by the body authorized by Government of the Republic of Armenia, in the amount of whole balance of pension account;
 - 5) In the amount defined in clause 4 of Article 57 of this Law - in case of death of the Participant.
2. In case of presence of any of the grounds as provided in Point 1 of this Article, the right holders (Participant, heir or other authorized natural person) shall file an application with the Register of Participants by stating the grounds for making a lump sum payment. The application form shall be defined by Central Bank regulations.
3. The Register of Participants shall be obligated to, within 30 days upon receiving of the application, reimburse the issued shares, convert them into currency and make the lump sum payment.
4. Should the Register of Participants fail to make the lump sum payment within the timeline established by clause 3 of this Article, it shall pay a fine to the Participant in the manner prescribed by the Civil Code of the Republic of Armenia.
5. A lump sum transfer may be made prior to Pension Age also:
 - 1) if the citizen of the Republic of Armenia leaves for a foreign country for permanent residence and renounces his/her citizenship, or
 - 2) foreign citizens who were working in RA and depart their country of permanent residence.

Lump sum payments may be made only through a non-cash transfer to the mandatory funded account of the new country of residence. In case the new country of residence does not operate a mandatory funded system, the funds accumulated in Armenia shall not be transferred to such a country and persons envisaged in sub-point 1 and 2 of this point may receive their pension assets accrued in Armenia in the manner provided by law.

Government of the Republic of Armenia shall specify the procedures and conditions for making the lump sum payments as envisaged in this Point.

Chapter 11. Inheritance of Fully Funded Pension Assets

Article 57. Inheritance of Pension Assets

1. Relationships related to inheritance of Pension Assets are regulated in the manner provided by this Law and Civil Code of the Republic of Armenia.
2. Pension Assets may be inherited by natural persons and the Republic of Armenia.
3. Both assets available in the Individual account of a Participant who dies before Pension Age and the assets of a pensioner who dies during the guaranteed period while receiving an annuity may be inherited.
4. Pension Assets shall be paid to an heir as a lump sum payment and via transferring them to the Individual Account of the heir.

If the inheritable funded assets are 25 fold less than the basic pension the full amount of the funded assets shall be paid to an heir as a one-time payment. If the amount of funded assets exceeds 25 fold of basic pension, the amount equal to the 25 fold of basic pension shall be paid to an heir as a one-time payment and the exceeding amount shall be transferred to the individual account of the heir, provided s/he participates in the mandatory funded system. The heir receives the shares available in the account of the donator. If the heir wishes to exchange the inherited shares with the shares available in his/her account, s/he shall be obligated to fill out and submit with the Register of Participants the application as provided in Article 40, point 2 of this Law.

If the heir does not participate in the mandatory funded system, the Register of Participants shall open an individual account for the heir and transfer the inherited assets to the individual account, irrespective of the age of the heir. If the heir is not a citizen of the Republic of Armenia and has no individual account opened with the Register of Participants, s/he shall dispose of the amount in the manner as envisaged in this law in the form of one-time payments.

Starting from that moment the heir shall get all the rights and bear all the liabilities as envisaged in this Law, save for an obligation of making mandatory funded contributions.

5. If the person has no immediate heirs the shares of Pension Assets belonging to him/her shall be repaid and the Pension Assets shall be transferred to the State Budget of the Republic of Armenia.
6. Provisions of clause 5 of this Article shall apply also to the Pension Assets the owners of which were not discovered during the period of 10 years and which were not entered in the Individual Account of any person.

Article 58. Procedure of Inheritance of Pension Assets

1. Within a period of 1 year upon receipt of an inheritance certificate an heir shall file an application with the Register of Participants requesting reimbursing of pension shares and

UNOFFICIAL TRANSLATION

transfer of inherited Pension Assets on his/her Individual Account. The heir shall be obligated to attach the application with a copy of the inheritance certificate.

2. The application envisaged in clause 1 of this Article should incorporate the following information:
 - 1) first and second names of the heir;
 - 2) heir's social security card number or number of the statement on non-holding of such a card, except for the case when the person is a foreign citizen;
 - 3) heir's contact information (phone, e-mail and etc.);
 - 4) preferred means of receiving information from the Register of Participants by the heir (by mail, e-mail and etc.);
 - 5) transferor's first and second names;
 - 6) transferor's social security card number or number of the statement on non-holding of such a card;
 - 7) name of the Pension Fund Manager and Pension Fund selected by the heir;
 - 8) certification of acceptance of the management conditions proposed by the Pension Fund manager stated in clause 7 of this Article;
 - 9) certification on requiring buying-back of pension shares and cash paying of Pension Assets, by stating the requisite information of his/her individual bank account;
 - 10) requisite information of the inheritance certificate;
 - 11) date (year/month/day) of filing the application;
 - 12) signature of the heir, with the exception of submission of an application through electronic means securing identity of the person.

If the heir has filed an application according to this Law on transferring the full amount of funded assets on his/her individual account, information stipulated in sub-clause 9 of this point shall not be filled out.

If the heir has filed an application according to this Law on receiving the full amount of the inherited funded assets, information stipulated in sub-clauses 7 and 8 shall not be filled out.

3. The application provided in clause 1 of this Article may not be revoked or amended.
4. If the heir has filed an application on transferring the inherited pension assets to his/her Individual Account, provisions envisaged in Article 38 of this Law shall apply.
5. Upon submission of the application envisaged in point 1 of this Article the Register of Participants shall process the request within a period of 1 month upon receipt of the relevant application.
6. In case of not receiving of the application envisaged in clause 1 of this Article within the defined time period, the pension assets shall continue to remain under the management of the same Pension Fund Manager for up to 3(three) years. Failure to file an application within a course of 3(three) years will result in annulling of the shares and the pension assets shall be transferred to the State Budget of the Republic of Armenia.

Article 59. Refusal of Application for Inheritance of Pension Assets

1. The Register of Participants shall be entitled to refuse the application filed in compliance with Article 58 of this Law, provided the application falls short of requirements of clause 2 of Article 58.

The Register of Participants shall notify the heir in writing about the refusal of the application and the reasons thereof.

2. An heir should file a new application on inheriting of mandatory funded assets in compliance with requirements of clause 2 Article 58 of this Law.

Chapter 12. Voluntary Pension Component

Article 60. Principles of Voluntary (Supplementary) Pension Activity

The voluntary funded component of the pension system of the Republic of Armenia is based on the following principles:

- 1) voluntary participation by physical and legal entities;
- 2) making available tax benefits in order to stimulate participation in voluntary pension component.

There are the following types of voluntary funded schemes:

- 1) defined pensions;
- 2) funded pension deposits;
- 3) defined pension contributions.

Article 61. Implementing Voluntary Pension Activities

1. In the territory of the Republic of Armenia only banks, insurance companies and voluntary pension funds (Pension Fund Managers) are entitled to engage in voluntary pension activity and to offer voluntary pension schemes to physical and legal entities.
2. A subject of voluntary pension agreement may be an employer, who enters into voluntary pension agreement on behalf of its employees, as well as a natural person who is entitled to enter into a voluntary pension agreement on their own account and other persons.

An employer shall be prohibited from participating in voluntary funded schemes offered by insurance companies and investment funds affiliated to it.

Before a person attains the pension age, the assets accrued in voluntary funded schemes may be used in cases and in the manner as envisaged in Article 56 and Chapter 11 of this Law. In all other cases participants of voluntary funded schemes may use the assets accrued in such schemes only upon attaining the pension age.

3. Voluntary Pension services should be provided in a professional manner, correctly, responsibly and solely in the interests of participants and beneficiaries (fiduciary responsibility).
4. Voluntary pension providers must establish rules for voluntary pension schemes which must include the amount of the contributions, the periodicity of contributions, the amount of the expected pension (for defined benefit schemes only), and other information set forth in Central Bank regulations.
5. Any voluntary pension scheme offered by a voluntary pension provider must be approved by the Central Bank of the Republic of Armenia.
6. Pension rules may be amended on a prospective basis only, provided that any such change results in benefits that have increased or remained constant.

Article 62. Voluntary Pension Activity of Insurance Companies

1. Insurance companies may offer only “defined benefit” scheme for voluntary pension insurance.
2. Insurance companies conclude agreements on voluntary pensions for lifetime payment (annuities) or for phased withdrawal payment.
3. Insurance companies must have an employee who is an actuary or contract for the services of an actuary with qualifications as defined by the legislation of the Republic of Armenia.
4. Companies offering “defined benefit” scheme should invest the funded assets in consideration of the liabilities. Investments in consideration of liabilities should secure moderate risk of investments, liquidity and be invested in fixed income instruments. Additional requirements to investments are defined by CBA regulations.
5. Insurance companies manage assets of voluntary pension contributions according to the requirements as defined by the law of the Republic of Armenia on Insurance and Insurance Activity.

Article 63. Voluntary Pension Activity of Banks

1. Banks may offer only “funded pension deposits” voluntary pension schemes.
2. Banks conclude agreements on voluntary pensions for phased withdrawal or lump sum payment.
3. Banks manage assets of voluntary pension contributions according to the requirements as defined by the law of the Republic of Armenia on Banks and Banking Activity.

Article 64. Voluntary Pension Activity of Voluntary Pension Funds

1. Voluntary pension funds may offer only “defined contribution” voluntary pension schemes.
2. Voluntary pension funds conclude agreements on voluntary pensions for phased withdrawal or lump sum payment.
3. Voluntary pension funds manage assets of voluntary pension contributions according to requirements as defined by the law of the Republic of Armenia on Investment Funds.

Article 65. Personified Record Keeping in “Defined Contributions” Voluntary Funded Scheme

1. Voluntary pension funds shall be obligated to administer personified record keeping for each beneficiary/Participant according to principles of Law of the Republic of Armenia “On Personified Record Keeping.”
2. For each Participant an individual pension account shall be opened in “defined contributions” scheme to reflect the voluntary funded contributions and revenues gained from investments.
3. Individual pension accounts should reflect the voluntary pension contributions and the income gained from investment.
4. Voluntary pension funds should be obligated to administer separate record keeping and distinguish pension assets from other assets.
5. Voluntary pension funds shall, once every year, provide a statement to a Participant about the balance of his/her individual account of the previous calendar year.
6. Information provided in point 5 of this Article should be provided in writing, provided the Participants chooses to receive information in writing, no later than April 15 for the previous year.

Article 66. Principles of Investment of Voluntary Funded Pension Assets in “Defined Contribution” Pension Scheme

1. In “defined contributions” scheme voluntary funded pension assets may be invested according to requirements of this law and regulations adopted in compliance with this law.
2. For the purposes of maximizing efficiency of investments in favor of participants of voluntary funded component of “defined contributions” scheme, investments should be based on the following principles:
 - 1) Security of voluntary funded pension assets;
 - 2) Diversification of risks;
 - 3) Securing liquidity.

3. Investment of voluntary funded pension assets in “defined contributions” scheme for purposes and principles other than those specified in point 1 of this Article shall be regarded as violation of obligations by a Pension Fund Manager.
4. Pension Fund Manger shall be obligated to administer a system of risk management, which will enable to handle control and assess the position risks and the share thereof in the general risks of the pension fund.

Requirements to risk management system shall be defined by CBA regulations.

Article 67. Permissible Investment of Voluntary Funded Pension Assets in “Defined Contribution” Pension Scheme

1. Voluntary funded pension assets in “defined contributions” scheme may be invested in the Republic of Armenia and abroad.
2. Voluntary funded pension assets in “defined contributions” scheme may be invested in the following assets in the Republic of Armenia:
 - 1) Bank accounts and deposits, provided the given bank is not in the process of revocation of its license;
 - 2) Securities issued by the RA Government and CBA;
 - 3) Securities of organizations registered in the Republic of Armenia, which are listed in a regulated market in the Republic of Armenia or OECD countries and are registered by an entity in charge of regulating the capital market;
 - 4) Securities issued by investment funds, which are being controlled by the CBA.
3. Voluntary funded pension assets of “defined contributions” scheme may be invested abroad:
 - 1) Deposits and bank accounts of financial organizations, which are licensed and controlled by a capital market controller in OECD countries;
 - 2) Securities issued by OECD countries;
 - 3) Securities issued by local municipalities of OECD countries;
 - 4) Securities registered by an authorized entity in charge of regulating the capital market in OECD countries and listed in a regulated market controlled by such an entity;
 - 5) Securities issued by investment funds registered by an authorized entity in charge of regulating the capital market in OECD countries and listed in a stock exchange controlled by such an entity;
 - 6) Securities of the Russian Federation, which meet the requirements of CBA.

CBA may define the list of countries, where voluntary funded assets may be invested.

Article 68. Limitations to Investment of Voluntary Funded Pension Assets in “Defined Contribution” Pension Scheme

1. Funded pension assets of “defined contributions” scheme may be invested in financial instruments listed in Article 67 of this law subject to quantity and currency limitations as defined by the Government of the Republic of Armenia:
2. Funded pension assets of “defined contributions” scheme may not be invested in the following tools:
 - 1) securities issued by a Pension Fund Manager and the custodian, as well as persons related to such persons;
 - 2) securities issued by a Pension Fund Manager or auditor of the custodian, as well as its founders (participants);
 - 3) securities issued by persons providing consultations to the Pension Fund Manager or the custodian, as well as founders (participants) thereof;
 - 4) related securities, except for hedging investments;
 - 5) non-listed securities;
 - 6) securities not subject to alienation by law or certain limitations exist with respect to them;
 - 7) real estate or other physical assets, which are not listed in regulated markets or if there is uncertainty as to evaluation thereof (medals, icons, antique property, expensive cars).
3. Voluntary funded pension assets may not be sold to the following persons:
 - 1) Custodian;
 - 2) Pension Fund Manager;
 - 3) member of the management board of the Pension Fund Manager or the Custodian;
 - 4) persons related to persons envisaged in sub-points 1; 2 and 3 of this point;
4. Pension Fund Manager and the Custodian may not grant loans to each other or guarantee performance of liabilities.
5. A Pension Fund Manager shall be obligated to take steps aimed at bringing the investment activities in conformity with requirements of this Law, securing maximum profitability, maintaining and preserving the pension assets, provided provisions of points 1; 2 and 3 of this Article have been breached as a result of the following:
 - 1) changes in the market prices, which served as a ground for evaluation of assets;
 - 2) changes in foreign currency rates;
 - 3) changes in economic and organizational relationships between organizations, in stock of which pension assets have been invested;
 - 4) other circumstances beyond the will and control of a Pension Fund Manager.
6. Consistency of the requirements as to investments envisaged in this Law should be cured no longer than within 6 months starting from the day when the violation was committed or when it became evident that violations have occurred as a result of evaluation of assets.
7. A Pension Fund Manager shall be obligated to vote with a company’s shares, which it possesses exclusively given the interests of the participants.

Article 69. Licensing Voluntary Pension Activity

1. Banks, insurance companies and voluntary pension funds (Pension Fund Managers) are entitled to engage in voluntary pension activity only when licensed by the Central Bank in conformity with Law of the Republic of Armenia “On Banks and Banking Activities”, RA Law “On Insurance and Insurance Activity” and Law of the Republic of Armenia “On Investment Funds” through concluding agreements with natural and legal entities.

Article 70. Employer Provided Additional Pensions (Corporate)

1. Employers may acquire voluntary pension schemes from insurance companies or voluntary pension funds aimed at providing supplementary pensions to their employees.
2. An employer should avoid discriminatory conduct when providing supplementary pensions to employees.
Corporate (supplementary) pensions must be offered either to all employees of that employer or to all employees within a specified occupational category, as further defined in regulations of the Central Bank. Participation in a supplementary employer pension may not be limited solely to the management employees of the employer, as further defined in regulations of the Central Bank. Within any occupational category, all employees must participate on an equal and uniform basis.
3. A supplementary employer pension may be established pursuant to a collective employment agreement.
4. Employers, employees, or both, can contribute to a supplementary employment pension.

Article 71. Transfer of Pension Assets Accrued in the Individual Account

In case of liquidation of the employer or termination of employment agreement between the employer and the employee, a participant shall be entitled to use voluntary funded pension assets accrued in his/her individual account according to Article 61, point 2, paragraph 3 of this Law.

Chapter 13. Liability for Breaches of this Law

Article 72. Liability for Failing or Delaying with the Funded Contributions

1. Persons bearing an obligation to make mandatory funded contributions shall be liable for failing to make or for delaying with the funded contributions. In case of delaying with the mandatory funded contributions within the timelines set out the person bearing an obligation to make funded contributions (in case of a hired employee – the tax agent) shall pay a fine in the amount of 0.15% of the mandatory funded contribution for each overdue day. In case the person, who has voluntarily joined the mandatory funded scheme in the manner as established by Article 6 of this Law, has failed to inform his/her employer (tax agent) about the fact that s/he joins the mandatory funded scheme, the fine as provided in point 1, paragraph 2 of this Article shall not be applicable to the employer until the authorized body

UNOFFICIAL TRANSLATION

in charge of collecting mandatory funded contributions and administering personified record keeping informs the latter about the fact that the persons joins the mandatory funded system. The above fixed fine shall apply in regard to delayed mandatory funded contributions for the whole overdue period, however not exceeding the period of 365 days.

50% of the fine charged for failing to pay or delaying with the payment of mandatory funded contributions shall be transferred to the account of the person on whose behalf the mandatory funded contribution was not paid or was delayed, while the remaining 50% of the fine shall be transferred to the State Budget.

2. In case of delaying with payment of funded contributions the state authorized body in charge of collecting mandatory funded contributions and implementing individual (personified) record keeping shall, with the exception of cases as defined by the Government of the Republic of Armenia, within 183 days upon the time period of payment of funded contributions, file a petition with the court for recognizing the employer as bankrupt. The authorized body may not revoke such a petition until the full payment of overdue funded contributions.

In case of not meeting the timeline for payment of funded contributions the state authorized body in charge of collecting mandatory funded contributions and implementing individual (personified) record keeping shall be entitled to duly file a petition with the court claiming to put a lien on the employer's property.

If the overdue funded contributions, as well as the fines counted towards overdue payments comprise AMD 500.000 and more before enforcement of the court ruling the head of the state authorized body in charge of collecting mandatory funded contributions and implementing individual (personified) record keeping shall be entitled to, in the manner as defined by Government of the Republic of Armenia, put a lien on the employer's property equaling to the amount of overdue funded contributions and fines counted towards such overdue payments, except for property which according law cannot be a subject to a lien and the term of maintenance of which is not more than 30 days.

The lien as envisaged in this Point shall primarily be applicable to bank accounts of the employer, then on real estate and then only on other assets.

Upon the court ruling the state authorized body in charge of collecting mandatory funded contributions and implementing individual (personified) record keeping shall, in the manner as established by Government of the Republic of Armenia, ensure realization of the property under lien.

In case the state authorized body in charge of collecting mandatory funded contributions and implementing individual (personified) record keeping fails to secure enforcement of the court ruling within 30 days following exercising of a lien on the property, the employer's property shall be considered as released from the lien.

A pledge agreement may be entered into in the manner as envisaged by civil legislation of the Republic of Armenia between the state authorized body in charge of collecting mandatory funded

contributions and implementing individual (personified) record keeping and the employer to serve as a means of securing the payment of overdue funded contributions.

Article 73. Responsibility of the Pension Fund Managers, Custodian and Register of Participants

1. The Register of Participants, Pension Fund Manager and Custodians must act in good faith, solely and exclusively in the interests of Participants and their heirs (fiduciary duty); they must perform their duties with the prudence, skill, and expertise of experts reasonably familiar with such financial and other matters; in the event that they lacks such expertise, they must obtain expert services.
2. The Pension Fund Manager, the Custodian and Register of Participants shall bear an equal liability for breaches committed by the person to whom it has transferred part of its functions.
3. A breach of this Law shall include but shall not be limited to the following:
 - 1) violating the requirements of this law, other laws, and regulations adopted on the bases thereof,
 - 2) authorizing, making or allowing the making of investments or other expenditures in violation of this law;
 - 3) entering into agreements for materials or services in violation of this law;
 - 4) failure to discharge responsibilities pursuant to an agreement entered into with respect to Pension Assets;
 - 5) entering into a transaction with an Affiliated Entity;
 - 6) in the meaning of this Law a violation committed by Pension Fund Manager, the Custodian and Register of Participants shall be considered using of funded pension assets on his/her account or in the interests of persons affiliated to it;
 - 7) violating the rules for maintenance of Individual Accounts, the terms or procedures for submitting or disclosing of financial or other reports or false, incomplete or inaccurate data has been presented in those documents,
 - 8) failed to fulfil the tasks assigned by the Central Bank according to the procedure established by this law,
 - 9) inaccurate, false or incomplete information has been submitted to the Central Bank for registration and (or) licensing of the fiduciary.

Article 74. Responsibility of the Managers of the Register of Participants, Pension Fund Managers and Custodians

1. The managers or responsible persons of a fiduciary, when fulfilling their obligations, shall operate solely and exclusively in the interests of the Participants, and exercise their rights and fulfil their obligations in a conscientious and prudent manner.
2. The managers of fiduciaries shall bear a responsibility towards the Participants for the legal damage caused to the Participants as a result of their intentional activities (omissions) according to the legislation of the Republic of Armenia. If more than one manager of Register of Participants, Pension Fund Manager and Custodian committed the breach, they shall carry a joint liability towards the Participants.
3. The responsibility of a manager of the Register of Participants, Pension Fund Manager and Custodian shall include but it shall not be limited to cases as envisaged in Article 75 and Article 78 of this Law.

Article 75. Sanctions for Violation of this Law

1. In the cases specified in Article 73 of this Law, the Central Bank may, within three month after the detection of the violation, impose on the Register of Participants, Pension Fund Manager and Custodian the following sanctions:
 - 1) warning and instruction on elimination of violations or warning and instruction on not repeating such violation in the future or warning and instruction of taking measures aimed at further prevention of such violation,
 - 2) fine,
 - 3) deprivation of the qualification license of the manager of Register of Participants, Pension Fund Manager and Custodian,
 - 4) nullification of activity licence.
2. The imposition of the sanctions specified in this Article shall not release the Register of Participants, Pension Fund Manager and Custodian and their managers from the liability set forth by the laws, other legal acts and contracts.
3. The Central Bank shall be obliged to publicise the decision on imposition of a sanction (sanctions) against Register of Participants, Pension Fund Manager and Custodian provided for by this Article or the managers thereof on his website.

Article 76. Warning

1. A warning shall record the committed violation and the Register of Participants, Pension Fund Manager and Custodian shall be notified about the violation.

UNOFFICIAL TRANSLATION

2. A warning shall also prescribe an instruction on elimination of the violation within the terms set forth by the Central Bank and/or an instruction on not repeating the violation in the future and/or an instruction on taking measures aimed at further prevention of the violation. An instruction on eliminating or not repeating or taking measures aimed at preventing such violations may also envisage termination and/or modification of the conditions of certain transactions and/or operations of the Register of Participants, Pension Fund Manager and Custodian. Performance of the instruction shall be mandatory for the entity having received the warning.
3. A warning may be applied as a sanction in case of the presence of any of the grounds provided for by Article 73 point 3, parts 1, 3, 4 and 7 of this Law.

Article 77. Fine

4. A fine as a means of liability in case of availability of grounds as defined in Article 73, point 3, sub-points 2; 5; 6 and 8, as well as in case of being subjected to liability more than twice within the course of one year in cases as envisaged in Article 76 of this Law.
5. 2. In case of violations causing property damage to Participants, the size of the fine imposed for each violation shall consist of the amount of the damages caused to the Participants and interest from the date of the violation until the date paid.
6. In case of violations that do not cause property damage to Participants but nonetheless violate the reporting requirements, as well as other requirements under this law, the size of the fine imposed for each violation may not exceed the 1000-fold of the minimum salary, with the exception of violations of provisions as envisaged in Article 18, point 6 of this Law.
7. In case of violation of Article 18, point 6 of this Law a fine shall be charged from the Register of Participants in the amount of 5000-fold of minimum salary for each case concerned.
8. The fine imposed on Pension Fund Manager, Custodian and the Register of Participants shall be charged from the means of the latter (legal entity).
9. The fine shall be charged by a court decision upon the claim of the Central Bank, should the Pension Fund Manager, Custodian and the Register of Participants disagree with the fine or its amount.
10. In case of violations committed in accordance with point 2 of this Article, the sum of the fines shall be transferred to the Individual Accounts of Participants suffering the damage from such a violation. In case of violations committed in accordance with points 3 or 4 of this Article, the fines shall be transferred to the state budget.

Article 78. Depriving the Managers of the of Register of Participants, Pension Fund Managers and Custodians of a Qualification Certificate

1. The Manager of Pension Fund Manager, Custodian and the Register of Participants may be deprived of a qualification certificate upon the decision of the Central Bank, if he:
 - 1) has violated this law or other legal acts,
 - 2) during his office, has been engaged in unjustified or dangerous activities,
 - 3) has impeded the actions of the Central Bank or its employees with regard to conducting supervision,
 - 4) has undertaken actions as a result of which the Participant have had financial or other loss,
 - 5) during the course of its operation, has undertaken actions or permitted omissions arising from personal interests, which contradict the rights or lawful interests of Participants,
 - 6) has not been fair and conscientious with regard to his obligations as an employee,
 - 7) does not meet the qualification or professional adequacy standards envisaged for Pension Fund Manager, Custodian and the Register of Participants as stipulated by the regulations of the Central Bank,
 - 8) has not followed the instruction of the Central Bank,
 - 9) other cases envisaged by the law.
2. Upon the entry into force of a decision of the Central Bank on depriving a manager of Register of Participants, Pension Fund Managers and Custodians of the qualification certificate, the authorities provided for by this Law, other laws, legal acts and internal legal acts of the fiduciary shall be terminated.

Article 79. Revocation of a Licence of the Pension Fund Managers and Custodians

1. A license may be recognized as invalid in case of presence of grounds as envisaged in point 3, sub-point 9 of Article 73 of this Law, other cases provided by Law, as well as in case the means of liability defined in Article 77 of this Law have been applied twice and more times within a course of one year and the Custodian or the Pension Fund Manager has failed to cure them within the timeline set by CBA or has failed to take measures aimed at eliminating thereof.
2. The Central Bank shall be entitled to revoke the license issued to the Pension Fund Manager if it becomes evident that false and inaccurate data have been submitted for receiving of a license.
3. An activity license of a Pension Fund Manager and Custodian shall be revoked through the decision of the Board of the Central Bank. An activity license of a pension fund manager and Custodian shall be revoked only in accordance with the procedure stipulated by this law. The provisions of this law shall prevail, should there be other provisions established by other laws on revocation of a license.

Article 80. Publicizing a Decision on Revocation of a Pension Fund Manager's and the Custodian's Licence and its Legal Consequences

1. The decision of the Board of the Central Bank on revocation of an activity licence as provided for by Article 79 of this Law shall be immediately publicized. The decision shall enter into force from the date of its publication, unless another date is established by the decision.
2. Upon the entry into force of the decision to revoke a licence, the Pension Fund Manager or the Custodian shall be deprived of the right to engage in providing any activities to the fully funded component of the pension system, for a minimum of ten (10) years, except for transactions provided for by this Law, which are aimed at fulfilling the undertaken obligations, realising the assets and their final allocation.
3. A copy of the decision of the Central Bank to revoke a licence shall be submitted to the Pension Fund Manager and the Custodian within three days after its adoption. Appealing of the decision of the Board of the Central Bank on revocation of a licence to court shall not suspend the action of that decision during the entire court proceeding.

Article 81. Resolution of Disputes

1. Any complaint or inquiry by a Participant or an heir concerning Contributions to an Individual Account under this Law shall be made in writing to the State body authorized to collect contributions. The State body authorized to collect contributions must consider such complaints and inquiries within thirty (30) days of receipt and must advise the Participant or beneficiary of its decision and of the grounds for this decision in writing.
2. The Participant or beneficiary may seek resolution of the dispute before the Financial mediator after receipt of a written decision from the State body authorized to collect contributions, or after the passage of thirty (30) days after the filing of a written complaint to the State body authorized to collect contributions, on grounds and in the manner as envisaged in Law of the Republic of Armenia "On Mediator of the Financial System."
3. In cases where Participants or interested person file suit with respect to a dispute as to the Individual Account and the court finds that the Pension Fund Manager, Custodian or Register of Participants is liable, the court must award the prevailing Participant or a beneficiary:
 - 1) the amount owed, plus interest from date due until date paid; and
 - 2) the cost of filing the action or lawsuit to recover the damages.
4. In cases where the Register of Participants has transferred funds from a Participant's Individual Account to an insurance company for payment of an Annuity any dispute with respect to the payment of the Annuity or other payment shall be resolved as follows. Any complaint by a Participant or beneficiary against an insurance company concerning an Annuity payment shall first be made in writing to the governing body of the insurance company. The governing body must consider such complaints within thirty (30) days of receipt and must advise the Participant or beneficiary of its decision and of the grounds for this decision in writing. The Participant or his or her representative must be allowed to be present at any hearing of the matter. If the Participant or the beneficiary is not satisfied with

the decision of the insurance company, he or she may pursue all available remedies under the Law of the Republic of Armenia “On Insurance and Insurance Activity.”

Chapter 14. Ending and Transitional Provisions

Article 82 Ending Provisions

1. This Law shall enter into effect on January 1, 2010, with the exception of provisions on licensing of Pension Fund Managers as envisaged in this Law.
2. The provisions on licensing of Pension Fund Managers as envisaged in this Law shall enter into effect in six months following the official promulgation of this Law.
3. Provisions on issuing and actual investment of pension units shall enter into force from March 1, 2010. Participants of mandatory funded scheme should make a choice of the pension fund and the Pension Fund Manager from January 1, 2010 through March 1, 2010, otherwise the selection shall be done by the Register of Participants through a program module in the manner as envisaged in this Law.
4. Article 39, point 2 of this Law shall enter into force from January 1, 2011.

Article 83. Transitional Provisions

1. The effective date of the requirement for funded contributions to the fully funded component of the pension system shall be for basic income generated from 1 January 2010 for employees, persons covered in Article 5 point 1.
2. The effective date of the requirement for mandatory contributions to the fully funded component of the pension system shall be 1 January 2011 for notaries and sole proprietors, persons covered in Article 5 point 2, with the exception of the case as envisaged in point 4 of this Article.
3. For participants entering into work relations for the first time after the effective date of this law the responsibility to contribute to the funded system shall be effective from the day of entering into employment relations.
4. For those who engage in sole proprietor and notary activities for the first time the after the effective date of this law the responsibility to contribute to the funded system shall be effective from the day of starting activity as a notary or sole proprietor.
5. Persons who participate in the fully funded component of the pension system on a voluntary basis according to Article 6 point 1 shall be able to participate as of 1 January 2010.
6. Functions of a Custodian as defined in Article 22, point 6 of this Law shall, before adopting of a relevant decision by RA Government, be implemented by the Register of Participants.