

Adopted on 22.12.2010

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

**CHAPTER 1.
GENERAL PROVISIONS**

The purpose of this Law is to establish opportunities for receiving pension incomes in addition to state pension by persons having attained the pension age who have done funded contributions during the course of their employment in the Republic of Armenia, by securing the direct link between the amount of pension contributions made and the receivable pension and enabling the person who makes contributions to have an impact on the amount of his/her funded pension through selecting the managing person of his/her pension funded assets and the management policy of such assets in the manner established by this Law.

Article 1. Subject of this Law

This law defines the structure of the mandatory funded pension component and voluntary funded pension component (hereinafter referred to as “funded component”) of the pension system of the Republic of Armenia, the process of management of the funded component and the authorities of state bodies engaged in its administration, as well as the functions of the register of participants, pension fund managers, the custodian of the pension fund, the account operators and the scope of natural persons entitled to participate in the funded pension scheme on voluntary and mandatory basis, the rights and obligations of participants of the funded component, operation of pension funded accounts and investment of funded pension assets, the types of funded pensions and payment thereof, mechanism guarantying the return of mandatory pension contributions, liability for breaches of requirements of this Law, the underlying legal acts and other legal acts. This Law regulates also other relationships pertaining to funded pensions.

Article 2. The Main Concepts Used in This Law

For the purposes of this Law the concepts used herein shall have the following meaning:

Personified record keeping: as per the Law of the Republic of Armenia “On Income Tax and Funded Contribution Personified Record Keeping.”

Individual Entrepreneur: as per the Law of the Republic of Armenia “On Individual Entrepreneur”.



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Annuity: As per the Law of the Republic of Armenia “On Insurance and Insurance Activity”.

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

Basic income: salary and other payments equal to it, income gained from civil- legal agreements for performance of works (delivery of services) and entrepreneurial activities, which is subject to taxation under the Law of the Republic of Armenia “On Income Tax.”

Guarantee fund: a fund guarantying the return of mandatory funded contributions at a defined annual inflation rate made by participants of mandatory pension funds established in accordance with this Law, the management and governance terms and procedures of which shall be defined by the Government of the Republic of Armenia.

Self-employed person: a natural person who gains income on regular basis from engaging in activities not prohibited by law, including an owner of an agricultural land parcel, a person making contributions against activities as defined by the Law of the Republic of Armenia “On License Fees” and performing works or delivering services by virtue of civil-legal agreements.

Programmed withdrawal: monthly payments made to the participant in the prescribed manner at the expense of redemption of the pension fund shares available in the pension account upon the time when the participant attains the pension age.

Voluntary Funded Pension: additional pension paid under the voluntary funded pension scheme.

Voluntary Funded Pension Scheme: a complete set of requirements and procedures defined in line with requirements of this Law by the investment fund (pension fund manager), insurance company or a bank aimed for provision of voluntary funded pension, which entails respectively the procedure and timeline of making funded contributions, as well as the conditions, timeline and procedure of calculation and payment of voluntary funded pensions.

Bridge account: special treasury account opened with the state authorized body of the financial sector of the Government of the Republic of Armenia, where funded contributions made by the funded component participant are received to be later transferred to the Register of Participants.

Pension secret – any information in relation to participation in the mandatory or voluntary funded scheme, which was made available to the employer, the state authorized bodies, the Central Bank, the register of participants, the account operator, the pension fund manager or the custodian about the participant’s pension account, contributions made for (in favor of) the participant commercial, insurance, banking or service related secret of the participant, as well as any other information which the participant intended to keep in confidence and the employer, the state authorized bodies, the Central Bank, the register of participants, the account operator, the pension fund manager or the custodian were aware of or should have been aware of.

Pension (Funded) Account: Individual Pension Account opened with the Register of Participants (mandatory funded component) or the pension fund manager (voluntary funded component), where the shares of pension funds belonging to the Participant are registered. The pension account of the participant of the mandatory pension fund incorporates information about the number of shares of the mandatory pension fund belonging to the participant of the pension fund, the book value of those shares, funded contributions made for (in favor of) the given participant.

Pension age: an age which entitles a person to an old-age pension, as defined by the Law of the Republic of Armenia “On State Pensions”.

Pension fund: as per the Law of the Republic of Armenia “On Investment Funds”.

Pension fund assets: funded contributions paid for (in favor of) participants, sum of assets obtained at the expense thereof and incomes gained as a result of management thereof.

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

The Central Bank: The Central Bank of the Republic of Armenia.

“Funded pension deposits” scheme: a voluntary funded pension scheme offered by banks for the purposes of providing voluntary funded pension, in case of which the contributions made to the deposit account opened for the participants are made in compliance with the funded pension agreement and the Bank manages the deposited funds at its own risk and makes payment of pensions on regular basis or as lump-sum payments at the expense of the principal deposit amount and the accrued interests upon the participant’s attaining the pension age.

Funded Contribution: contributions made by the participant and/or other person (including the State) for (in favor of) the participant aimed for receiving of mandatory or voluntary funded pension in compliance with the rules established by this Law.

Account operator: an organization defined by the Government of the Republic of Armenia, which serves as a mediator for services provided to participants by the register of participants.

Basic pension: as per the Law of the Republic of Armenia “On State Pensions”.

Participant: a natural person, who has joined the funded component on mandatory or voluntary basis in the manner established by this Law and obtains (has obtained) pension fund shares for the purposes of receiving of funded pension, has concluded an agreement with the insurance company or has concluded a funded pension deposit agreement with the commercial Bank or receives mandatory or voluntary pension as established by this Law.

Registry of participants: unified system of data about participants and funded pension shares belonging to such participants. The whole information available in the registry of participants is considered the ownership of the State.

Register of participants: a legal entity, which on the basis of the agreement entered into with the Government of the Republic of Armenia, administers the registry of participants, as well as performs other functions as defined by this Law and the agreement entered into with Government of the Republic of Armenia.

Notary: as defined by the Law of the Republic of Armenia “On Notary”.

Custodian: a person performing custody of pension fund assets as per the Law of the Republic of Armenia “On Investment Funds.”

Mandatory Funded Pensions: pensions paid to the participant within the scope of the mandatory funded component as per the rules defined by this Law.

“Defined Pensions” Scheme: voluntary funded pension scheme in case of which an insurance company promises a defined rate of pension to a participant. The funded contributions depend on the agreement entered into with the insurance company and may be paid on non-regular basis and the pension amount is not dependent on the amount of funded contributions made and the return on investment of such contributions.

“Defined Pension Contribution” Scheme: voluntary funded pension scheme in case of which contributions made for participants are calculated in the amount of certain percentage of their basic income or on other regular basis and a participant’s pension amount depends on the funded contributions and the rate of return on investment of such contributions.

Social Security Card: a card as defined by the Law of the Republic of Armenia “On Social Security Cards.”

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

Other concepts used in this Law are applied in the meaning defined by the Civil Code of the Republic of Armenia, the Law of the Republic of Armenia “On Investment Funds”, the Law of the Republic of Armenia “On the Securities Market”, unless other meaning is derived for the use thereof in the provisions of this Law.

Article 3: Legislation Regulating the Funded Pension Component of the Pension System

The funded pension component of the pension system in the Republic of Armenia shall be regulated by the Constitution of the Republic of Armenia, the Civil Code of the Republic of

Armenia, international treaties of the Republic of Armenia, this Law, the normative legal acts (regulations) adopted on the basis of this Law, other laws and legal acts. Provisions prescribed in 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

Funded pensions are funded at the expense of funded contributions made for (in favor of) the participants and incomes gained from the investment thereof.

CHAPTER 2.

PARTICIPATION IN THE MANDATORY FUNDED PENSION COMPONENT. THE PROCESS OF COLLECTION OF MANDATORY FUNDED CONTRIBUTIONS

Article 5. Mandatory Participants in the Mandatory Funded Pension Scheme

1. The following categories who were born on January 1, 1974 and after are mandatory participants in the mandatory funded component:
 - a/ hired employees and persons performing public service, with the exception of military servants and persons having an equal status;
 - b/ notaries;
 - c/ individual entrepreneurs.
2. Clause 1 of this Article shall be applicable also with respect to foreign citizens and persons without a citizenship, who were born on January 1, 1974 or later and gaining basic income in the manner as established by legislation of the Republic of Armenia.

Article 6. Voluntary Participants of the Mandatory Funded Pension Component

1. The following persons may participate on a voluntary basis in the mandatory funded pension component:
 - 1) The following persons born prior to 1974:
 - a/ hired employees and persons performing public service, with the exception of military servants and persons having an equal status;
 - b/ notaries;
 - c/ individual entrepreneurs.
 - 2) Self-employed persons, irrespective of their age.

Clauses 1 and 2 of this Article shall be applicable to foreign citizens and persons without a citizenship who were born before 1974 and who receive basic income in the manner established by legislation of the Republic of Armenia.

2. The decision of persons specified in Clause 1 of this Article to join the mandatory funded component shall be final. They shall not be entitled to change the decision on joining the mandatory funded component and shift to the previous system, irrespective of the fact of changing or quitting their job.
3. Persons provided in Clause 1 of this Article shall, upon deciding to voluntarily join the mandatory funded scheme, open a pension account with the register of participants through the respective web site or account operator by filing an application as established by Article 38 of this Law. Persons provided in Clause 1 of this Article should receive a statement of information about opening of a pension account from the organization through which they opened their pension account, following which the mentioned persons shall be deemed as having taken the decision on joining the mandatory funded pension scheme. A person having voluntarily joined the mandatory funded component 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. The employer (tax agent) shall calculate and make funded contributions from the basic income of the person having voluntarily joined the mandatory funded scheme starting from the month following the month when the person opened a pension account.

In case when changing his/her employer the person fails to notify the new employer about his/her participation in the mandatory funded component, after revealing the fact that the person is a participant of the mandatory funded scheme the employer shall fully transfer from the subsequent basic income the overdue funded contributions of the person subject to payment during the past period.

Persons provided in Clause 1, sub-clauses “b” and “c”, as well as Clause 2 of this Article having voluntarily joined the mandatory funded component, shall on their own make mandatory funded contributions.

Article 7. Rates of the Mandatory Funded Contributions

1. Funded contributions for persons provided in Article 5 of this Law shall be paid at the rate of 10% from the basic income as follows:
 - 1) a hired employee, a foreign national and a stateless person participating in the scheme, who is in receipt of basic income in the manner as envisaged by the legislation of the Republic of Armenia and whose monthly income does not exceed AMD 500,000, shall make a monthly funded contribution in his/her pension account in the amount of 5% of the basic income, while the remaining 5% shall be paid for (in favor of) the participant from the state budget to secure 10% of the required contributions;

- 2) a hired employee, a foreign national and a stateless person participating in the scheme who is in receipt of basic income in the manner as envisaged by the legislation of the Republic of Armenia and whose monthly income exceeds AMD 500,000, shall receive AMD 25,000 on monthly basis for (in favor of) his/her pension account from the state budget, while the remaining contributions shall be paid by such persons to secure 10% of the 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 pension account in the amount of 5% of the basic income, while the remaining 5% shall be paid for (in favor of) the participant from the state budget to secure 10% of the required contributions;
 - 4) in case of an individual entrepreneur or a notary, who participates in the scheme and whose basic annual income exceeds AMD 6,000,000, annually AMD 300,000 shall be paid for (in favor of) the participant from the state budget to the pension account, while the remaining annual contributions shall be paid by such a person to secure 10% of required contributions.
2. A participant having voluntarily joined the mandatory funded pension scheme as provided in Article 6 of this Law shall contribute at the rate of 5% of the basic income. No additional contributions are made for (in favor of) him/her from the state budget.
- If self-employed persons who were born after 1974 and who joined the mandatory funded component voluntarily are employed as a hired employee, notary or an entrepreneur before they attained the age of 40, the income they receive from their respective activity is subject to Clause 1 of this Article, while the income received from self-employment is subject to paragraph 1 of this Clause. If a hired employee, a notary or an entrepreneur becomes a self-employed person and a participant in the mandatory funded contribution component, paragraph 1 of this Clause, rather Clause 1 of this Article shall be applicable in his/her case.
3. In the event a participant is in receipt of basic income as established by this Law simultaneously from several sources, the obligations for making funded contributions and the rate of the funded contributions shall be applied in each case separately in the manner established by this Law. Moreover, the overall contributions made from the state budget for (in favor of) the participants provided in Article 5 of this Law, who are in receipt of income simultaneously from several sources may not exceed the amounts stipulated in Clause 1 of this Article in regard to contributions made from the State. A participant in receipt of income simultaneously from several sources shall be obligated to make additional pension payments until April 15 of the year following the calendar year, in the amount of the difference of 10 percent of his/her basic income and the respective contributions made by the State.
4. Obligations to make funded contributions shall be effective until attainment of the pension age. In case a participant continues to work after attaining the pension age, s/he shall be exempted from making mandatory funded contributions. However, s/he can

continue to voluntarily participate in the mandatory funded scheme. Upon attaining the pension age no funded contributions shall be made for (in favor of) the participant from the state budget. Funded contributions shall be made by the participant until the time when the register of participants receives an application from the participant on receiving of the funded pension. The register of participants shall notify about receipt by a participant of funded pension to the authorized body (hereinafter - tax authority) in charge of collecting funded contributions and administering personified recordkeeping.

Article 8: Payment of Mandatory Funded Contributions

1. Employers shall bear obligations for calculating and transferring mandatory funded contributions for (on behalf of) their employees acting as tax agents.

Employers are considered as tax agents also in regard to persons who joined the mandatory funded contribution component voluntarily, as defined in Article 6, Clause 1, sub-clause 1, point "a" and Clause 1, paragraph 2, as well as persons performing works and delivering services under the civil-legal agreements, as defined in Clause 1, sub-clause 2 of Article 6 of this Law.

2. Employers shall be obligated to check with the tax authority whether their employees are considered as persons obligated to make mandatory funded contributions and shall calculate, withhold and make on monthly basis funded contributions from the basic income within the timeline envisaged in the Law of the Republic of Armenia "On Income Tax" and at the rates stipulated herein.

Pursuant to Article 6 Clause 1, sub-clause 1, point "a", sub-clause 2 and paragraph 2 of Clause 1 of the same Article of this Law the employers shall also be obligated to on monthly basis , calculate withhold, and make mandatory funded contributions from out of the basic income of the participants who have voluntarily joined mandatory funded component at a rate prescribed by this law and within the timelines set forth by the Law of the Republic of Armenia "On Income Tax". .

The fact of deciding to voluntarily join the mandatory funded pension component as provided in Article 6, Clause 3 of this Law shall be cross-checked with the employer and the tax authority in the manner established by the Government of the Republic of Armenia.

3. Employers shall, within the timelines established by the Law of the Republic of Armenia "On Income Tax", submit a personified electronic report to the tax authority by providing at least the following information:
 - a) name, surname, passport series and number of the participant, including a person performing works and delivering services under the civil legal agreements;

- b) social security card number or number of the statement specifying absence of the social security card;
 - c) size of the participant's basic income;
 - d) amount of the participant's funded contribution, and
 - e) employer's tax payer identification number (TIN)
4. Notaries, individual entrepreneurs and self-employed persons, with the exception of those who perform works and deliver services under civil legal agreements as provided in Clause 2, paragraph 2 of this Article, are responsible for calculating and making mandatory funded pension contributions for their own on an annual basis within the timelines set forth by the Law of the Republic of Armenia on "On Income Tax".
- Hired employees, persons performing works (delivering services) under civil-legal agreements, foreign nationals and stateless persons in receipt of basic income as envisaged by the legislation of the Republic of Armenia, who have joined (or were obligated to join) the mandatory funded component and whose employers are exempted by law or international treaties from acting as a tax agent, shall be obliged to independently calculate and pay on monthly basis the mandatory funded contributions in the manner established by this Law for employers.
5. Notaries, individual entrepreneurs and persons envisaged under Clause 4, paragraph 2 of this Article and the self-employed persons, with the exception of persons performing works and delivering services under civil-legal agreements as provided in Clause 2, paragraph 2 of this Article, shall, within the timelines set forth by the Law of the Republic of Armenia "On Income Tax", submit an electronic report to the tax authority encompassing at least the following information:
- a) name, surname, passport series and number of the notary, individual entrepreneur, self-employed person,
 - b) social security card number or number of the statement specifying absence of the social security card,
 - c) size of basic income of the notary, individual entrepreneur, self-employed person,
 - d) amount of funded contribution made by the notary, individual entrepreneur, and the self-employed person,
 - e) the tax-payer identification number (TIN) of the notary, individual entrepreneur and the self-employed person (if available).
6. The regulations of the tax authority shall establish the format of reports which might envisage other information to be incorporated in the report.

Article 9. Transferring of the Personified Information and Mandatory Funded Contributions to the Register of Participants

1. The tax authority shall process the reports on the mandatory funded contributions within 10 (ten) days from the due date of submission or the date of actual receipt thereof. For those persons whose data reports convey no errors and funded contributions stated in the report were made to the bridge account, the tax authority shall issue payment orders to the Treasury aiming at transferring from the funds of the bridge account and the respective amounts of the state budget of the Republic of Armenia to the register of participants.
2. On the date of issuing of the order set forth in Clause 1 of this Article the tax authority shall submit personified information on funded contributions to the register of participants. 3. The tax authority's information sent to the register of participants shall encompass the following information about the participants:
 - a) name, surname, passport series and number of the participant,
 - b) social security card number of the participant or number of the statement specifying absence of the social security card,
 - c) size of the funded contributions of the participant
 - d) amount of the contribution due to be paid from the state budget,
 - e) tax payer identification number (TIN) of the employer, notary and individual entrepreneur,
 - f) other information defined by the Government of the Republic of Armenia.
4. The procedure for correcting errors related to the transfer of funded contributions and information prescribed in Clause 3 of this Article shall be defined by the Government of the Republic of Armenia. There shall be no refunds to participants of overpayments of funded contributions of participants made to the account of the register of participants but rather that fact shall be considered when calculating and paying of future funded contributions, except on the basis of a court decision having heard the issue on its merits and when corrections are made on the basis of the inspection act.

Article 10. Opening of a Pension Account

1. The register of participants shall open a pension account for a person on the basis of information specified in Article 9, Clause 2 of this Law or the application submitted by the person in line with Article 38, Clause 1 of this Law.

The register of participants shall open a pension account for persons specified in Article 5 of this Law immediately after receiving the information prescribed in Article 9, Clause 2 of this Law, provided no pension account is already opened for the given person. The register of participants shall open a pension account for persons specified in Article 6 of this Law on the basis of an application for opening of an account submitted by the person in the manner specified in Article 6, Clause 3 of this Law.

2. If the person fails to submit an application as prescribed by Article 38 of this Law, the register of participants shall, within 10 business days after opening of a pension account for the given person, inform the person in writing (on the paper) about opening of a pension account. The person is thereby informed also about the fact that upon failing to submit an application on the choice of a pension fund manager and a pension fund to the register of participants within 30 days of opening of a pension account in the manner set forth by Article 38 of this Law, the selection will be done on behalf of the person randomly through the program module in the manner established by Article 39 of this Law, thereafter further contributions of the participant will be directed to the selected pension fund.
3. The register of participants shall manage the pension account until the death of the participant and, upon availability of shares in the pension account of the participant at the moment of his/her death, until the time of inheritance of the shares or the end of the inheritance timeline.
 4. In case of changing or termination of activities of the register of participants the registry of participants shall be transferred to another person administering the register of participants or to the Government of the Republic of Armenia. The procedure, manner and timelines of transferring of registry of participants shall be defined by the Government of the Republic of Armenia.
 5. If the participant has from out of alternatives specified in Article 6, Clause 3 of this Law has chosen implementation of transactions through the account operator, the account operator shall, in the manner stipulated by this Law and the normative legal acts (regulations) adopted on the basis of the Law, mediate the services to be delivered to the participants by the register of participants, including:

1) opening a pension account;

2) making amendments in personal data of participants;

3) selecting and/or changing by the participant of the fund and/or exchanging of shares of the pension fund, receiving of other documents or information and transferring thereof to the register of participants;

4) receiving of information about the pension account of the participant from the register of participants and forwarding it to the participant.

6. The account operator shall secure confidentiality of information pertaining to participants, the choice they did and other information which it learned when performing its functions.

The account operator may not be a person affiliated to the pension fund manager and/or the custodian.

It is prohibited for account operators and their employees to advertise any pension fund or a pension fund manager, advise or direct persons applying to them in any manner to choose a particular pension fund manager or a pension fund.

Article 11. Acquisition of Pension Fund Shares at the Expense of Mandatory Funded Contributions

1. The state body authorized in the financial sector of the Republic of Armenia shall transfer funded contributions in the amount specified in the order issued by the tax authority as provided in Article 9, Clause 1 of this Law and the respective amounts allocated by the state budget to the register of participants account opened with the Central Bank.
2. The register of participants shall compare the information provided by the tax authority as defined in Article 9, Clause 2 of this Law with the pension accounts opened and the funds received from the state body authorized in the financial sector of the Republic of Armenia and immediately following that, but no later than within 1 business day upon receipt of the amount specified in Clause 1 of this Article,
 - 1) Transfer shares in quantities equal to the funded contributions to the pension account of the pension fund selected by the participant against the funded contributions made for (in favor of) each person, given the distribution share value of the given fund. Issuing of the pension fund shares is organized by the register of participants in compliance with the provisions of this Law, the normative legal acts adopted on the basis thereof, the pension fund rules and the agreement concluded with the pension fund manager and the custodian.
 - 2) The amount equal to the distribution value of shares transferred to the pension account of participants in accordance with sub-clause 1 of this Clause is transferred to the account specified by the respective pension fund custodian;
 - 3) Provide information to the pension fund manager of each pension fund about the respective pension fund shares transferred to the pension accounts according to sub-

- clause 1 of this Clause and the amount transferred as per sub-clause 2 of this Clause, by not disclosing the participants having made the selection.
3. The pension fund rules may not define any limitations pertaining to quantity of mandatory pension fund shares to be acquired by each participant and the amount paid against such shares.
 4. The register of participants shall provide information to the pension fund managers about the total amount of funded contributions made by participants. The 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 provided in Article 18, Clause 6 of this Law.
 5. The initial nominal value of the pension fund share shall be determined by the Government of the Republic of Armenia.
 6. The Central Bank may define by its normative legal acts requirements to the procedure of issuing of pension fund shares.

Article 12. Providing Information about a Pension Account

1. The register of participants shall on annual basis but no later than by 15th of April provide free information to the participant about data reflected in his/her pension account of the previous calendar year.
2. The information specified in Clause 1 of this Article shall for the first time be submitted to the participant on a paper. The second and the subsequent times the information specified in Clause 1 of this Article shall be submitted to the participant on a hard copy or electronically as of his/her choosing. In the event the participant makes no choosing as to receiving of information specified in Clause 1 of this Article either on a hard copy or electronically, the information specified in Clause 1 of this Article shall not be submitted the second or the subsequent times.

The register of participants shall send the hard copy of the information specified in Clause 1 of this Article to the mailing address specified in the application prescribed in Article 38, Clause 1 of this Law. The participants who have provided the register of participants with no preferable address, the hard copy of the information specified in Clause 1 of this Article shall be sent by the register of participants to the mailing address specified in the state register of population. A participant may cease receiving of information upon his/her choosing.

3. The format, contents and procedure of submission of the information specified in Clause 1 of this Article, as well as selection of the manner of receiving of information specified

in Clause 2 of this Article, as well as termination of receiving of information and procedure, manner and contents of recommencing the receipt of information shall be defined by the Government of the Republic of Armenia.

4. The register of participant may charge fees from the participant when providing the participant with information specified in Clause 1 of this Article about the pension account more than once per annum or for providing of additional information. The amount of fees charged may not exceed the costs of preparation and provision thereof and plus the reasonable profit of the register of participants.
5. Register of participants shall update the information on its website on a daily basis in accordance with the content and procedure established by the normative legal acts of CBA.

The register of participants should ensure the free access of each participant to information about his/her individual pension account through the web site of the register of participants. The Decision adopted by the Government of the Republic of Armenia may define requirements to securing access, which are feasible to be ensured at the given time by use of software and technical means, which will enable identification of a person and secure confidentiality of information.

The normative legal acts of the Central Bank of the Republic of Armenia may define requirements regarding composition of information publicized through other means of publication by the register of participants and the format of publicizing.

Article 13. Status of Mandatory Funded Pension Shares and Limitations Thereof

1. Pension fund shares registered with the pension account shall be considered to be the private ownership of the participant.

The pension fund shares of married couples shall be considered as the personal property of each of them.
2. The property rights to possession of the mandatory pension fund shares are limited up to the time of occurring of one of the following events:
 - 1) attainment of pension age;
 - 2) the participant is recognized in the manner established by legislation as a person having the third degree of disability in terms of engaging in employment activities;
 - 3) on the basis of conclusion issued by authorized entity recognized as such by the Government of the Republic of Armenia that the participant suffers with any high-risk serious sickness and incurable diagnoses of vital organs;
 - 4) the participant is leaving abroad for permanent residence and is renouncing the citizenship of the Republic of Armenia.

3. The participant may not perform the following with the pension fund shares:
 - 1) pledged,
 - 2) invested in the charter capital of a legal entity,
 - 3) donated or alienated in any other manner,
 - 4) used in a manner which may lead to termination of ownership rights to the pension fund shares.
4. Mandatory pension fund assets cannot be pledged or be a collateral for other liabilities. The requirement stipulated in this Clause does not restrict the right to conclude a repo (reverse repo) transactions with the pension fund shares, provided such transactions are stipulated by the rules (Charter) of the pension fund and such a transaction does not result in violation of limitations envisaged by this Law.
5. Should the participant have any liabilities, no lien may be imposed on mandatory funded pension fund shares of the participant until s/he attains the pension age.

CHAPTER 3

MANAGEMENT OF THE MANDATORY FUNDED COMPONENT

Article 14. Authorities of the Tax Authority

1. The tax authority shall:
 - 1) manage the personified record-keeping database of the mandatory funded pension component in the manner defined by legislation;
 - 2) receive individual reports on mandatory funded contributions from employers on monthly basis and verify the accuracy of the reports in a manner prescribed by the Law;
 - 3) receive and verify in a manner prescribed by the law the accuracy of the reports on mandatory funded contributions made by self-employed persons, notaries and individual entrepreneurs within the timelines established for the income tax by the Law of the Republic of Armenia "On Income Tax";
 - 4) compare the personified information received from employers on monthly basis with the database of personified records;
 - 5) compare the personified information received from self-employed persons, notaries and individual entrepreneurs with the database of personified records;

- 6) enforce collection of mandatory funded contributions made by employers, notaries, individual entrepreneurs and the self-employed persons and issue reports about collections to the state body authorized in the financial sector of the Government of the Republic of Armenia;
 - 7) in case when errors are discovered within the contributions paid and information provided by employers, self-employed persons, individual entrepreneurs and notaries, inform them about such errors. The mentioned persons shall be obligated to correct the errors and submit amended reports in the manner defined by the Decision of the Government of the Republic of Armenia established by Article 9, Clause 4 of this Law;
 - 8) consider claims and errors in payment of mandatory funded contributions made by employers, notaries, individual entrepreneurs and the self-employed persons and request submitting corrected calculations as necessary;
 - 9) issue relevant instructions to transfer contributions deposited onto the bridge account of the state authorized body in the financial sector of the Government of the Republic of Armenia to the register of participants account operated with the Central Bank,
 - 10) submit personified information regarding mandatory funded contributions made to the register of participants-;
 - 11) respond to the written applications of participants concerning mandatory funded 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 state authorized body of the financial sector on mandatory funded component's personified record keeping database and its administration, if it is so requested;
 - 14) perform other authorities arising from this Law and other laws.
2. The tax authority shall be obligated to provide the tax agents defined by this Law with electronic and/or print forms needed to file personified reports, which will be compatible with the personified record database administered by the tax authority.

Article 15. Authorities of the Central Bank

The Central Bank shall:

- 1) define the preventive requirements related to the risks of the activities of pension fund managers, including market, operational, liquidity and other risks;
- 2) register the rules of the pension fund;

- 3) define the format of reports to be submitted by pension fund managers to the participants (in case of the voluntary pension funds), as well as the format of reports being publicized and the manner of submission thereof;
- 4) develop and publicize public outreach information materials concerning the mandatory funded pension system;
- 5) in cases and in the manner established in this Law approve or offer objections to the contents of commercials and other commercial publications performed by pension fund managers;
- 6) oversee the compliance of activities of pension fund managers, custodian, the register of participants and the account operator with the requirements of this Law and other normative legal acts;
- 7) receive reports from pension fund managers, custodians and the register of participants submitted in accordance with a specified procedure and analyze them;
- 8) within the scope of its own authorities, conduct inspections with the register of participants, account operators, pension fund managers and custodians;
- 9) define general rules on the registry of participants, including rules for the administration of participants' pension accounts, issuing of pension fund shares in compliance with this Law and other regulations, as well as general rules on custody of pension fund shares;
- 10) determine the procedure of activities of the account operators;
- 11) define the procedure for submitting a participant's applications to the register of participants, as well as the procedure for providing by the register of participants of reports and other information to participants, save for the case specified in Article 12, Clause 3 of this Law;
- 12) 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 this Law, normative legal acts adopted on the basis of this Law, as well as the agreement concluded with the Government of the Republic of Armenia:

- 1) perform functions of a register of participants in the manner established by this Law and other legal acts;

- 2) open and administer pension accounts for participants in the manner provided by this Law;
- 3) in case of opening of pension accounts for persons envisaged in Article 6 of this Law, notify thereon to the tax authority;
- 4) if desirous for a participant, technically ensure the confidentiality of the participant's selection of a pension fund, a pension fund manager and the information contained in the participant's pension account statement. The procedure for ensuring confidentiality specified in this Clause must be defined by the register of participants by agreeing the matter with the Government of the Republic of Armenia;
- 5) organize issuing of pension fund assets, entry thereof into the pension accounts, redemption of pension shares of participants in accordance with this Law, regulations adopted on the basis of the Law, pension fund rules and the Agreement concluded between the pension fund manager and the custodian;
- 6) transfer the mandatory funded contributions from its account opened with the Central Bank to the account of the respective asset manager specified by the pension fund custodian, without disclosing the identity of the participants having done the selection;
- 7) provide information to the participants on their pension accounts in accordance with manner established by Article 12 of this Law;
- 8) on the basis of an application submitted by a participant, organize jointly with the pension fund custodian, exchange of one type of pension fund shares with another type of pension fund shares within the timelines specified in this Law;
- 9) jointly with the pension fund custodian, organize transfer of funds, gained as a result of redemption of mandatory pension fund shares belonging to the participant, to the insurance company for the purposes of concluding an annuity agreement as provided under this Law;
- 10) jointly with the pension fund custodian, organize making lump sum payments or program withdrawals;
- 11) transfer pension fund shares from pension accounts of deceased participants according to this Law, on the basis of the will of heirs expressed in accordance with this Law;
- 12) Submit reports to the Central Bank in accordance with the procedure, content and frequency defined by the Central Bank;

- 13) perform other functions arising from this Law, regulations adopted based on this Law, as well as the Agreement entered into between the Government of the Republic of Armenia and the register of participants and the rules of the pension fund.

Article 17. Functions of the State Authorized Body of the Financial Sector of the Government of the Republic of Armenia

The state authorized body of financial sector of the Government of the Republic of Armenia shall:

- 1) inform the tax authority about the funded contributions made, and upon receipt of instructions, ensure transfer of mandatory funded contributions to the register of participants through the treasury system;
- 2) prepare a forecast of contributions which shall be made from the state budget for (in favor of) participants during each fiscal year in accordance with this Law for, which are taken into account when developing the draft state budget for each fiscal year;
- 3) develop and ensure the uniform policy of the funded pension component;
- 4) submit recommendations to the Government of the Republic of Armenia regarding investment limitations in compliance with Clauses 1 of Articles 44 and Article 72 of this Law;
- 5) Implement other functions arising from this Law and other legal acts.

**CHAPTER 4
PENSION SECRET**

Article 18. Maintaining of a Pension Secret

1. It shall be prohibited to publicize information considered as pension secret by a person, state authority or an official person, who has been entrusted with such information, became aware of such information in connection with his/her official capacity or in connection with his/her work or have been provided in the manner established by this Law, save for the cases envisaged in this Chapter.

Publicizing of information constituting pension secret shall be considered publicizing orally or in writing of such information (or any of its carrier) through the mass media or otherwise, making it available to a third person or its dissemination, directly or indirectly providing third persons with the opportunity of obtaining such information (permitting, non-prohibiting or making publication

of such information possible due to violation of the procedure of maintaining of such information).

2. An employer, the state authorized bodies, the Central Bank, the register of participants, the account operator, the pension fund manager and the custodian shall be obligated to undertake technical means and define organizational rules, which are required for keeping in a due manner the information constituting a pension secret.
3. Managers of persons specified in Clause 2 of this Article, officers and persons having previously served in a capacity of the manager, as well as the persons and organizations, who provide services (perform works) or have previously provided for persons specified in Clause 2 of this Article, 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 an 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, the account operator and the tax authority may publicize at the court hearing 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 has arisen between the Participant and the register of participants or the account operator or the tax authority or the employer.
5. Employers, the register of participants, and the tax authority shall be obligated to share information about pension accounts of participants in order to protect the rights of the participants, except for information about the pension fund selected by the participant, the pension fund manager and the pension fund shares of the participant.
6. The register of participants or the tax authority may, at a maximum, provide the following information to a pension fund manager:
 - 1) number of participants having chosen each pension fund of the given pension fund manager;
 - 2) age range of participants having selected each pension fund of the given pension fund manager –with an age range of at least 5 years;
 - 3) age range of participants having quitted each pension fund of the given pension fund manager within the course of the given month - with an age range of at least 5 years;
 - 4) number of participants having joined each pension fund of the given pension fund manager on monthly basis;
 - 5) distribution rate of basic income of participants of each pension fund of the given pension fund manager – with a minimum range of AMD 100,000 (one hundred thousand), as well

as the distribution rate of basic income of participants having joined each pension fund of the given pension fund manager during the course of the given month – with a minimum range of AMD 100,000 (one hundred thousand);

- 6) number of participants joining each pension fund of the given pension fund manager, who attain the pension age during the given year;
- 7) information specified in Article 11, Clause 2, sub-clause 3 of this Law.

The register of participants and the tax authority shall exclude the access of the pension fund managers of any information they possess or other information served as a basis for calculations which might help the pension fund manager to identify a specific participant or an employer, where the participant is employed.

Article 19. Provision of Pension Secret to the Authorities in Charge of Conducting Criminal Investigation

1. An employer, the register of participants, the account operator and the tax authority shall, pursuant to this Law, provide information constituting pension secret to authorities conducting criminal investigation solely on the basis of court decision rendered in compliance with the Criminal Procedure Code of the Republic of Armenia.
2. An employer, the register of participants and the tax authority shall, within two business days upon receipt of the court decision, provide the criminal investigation authority or the person authorized by such a body the information required by such a decision.
3. It is prohibited to inform participants about the fact of provision of information that constitutes a pension secret to authorities conducting criminal investigation.
4. When analyzing the information specified in the Law of the Republic of Armenia “On Money Laundering and Suppressing the Financing of Terrorism” by the Central Bank reveals that a case or an attempt of money laundering or financing of terrorism has occurred, the Central Bank shall directly report thereon to the respective authority in charge of criminal investigation.

Article 20. Providing of Pension Secret to the Court

1. An employer, the register of participants and the tax authority shall provide information constituting pension secret to the court about a participant who is a party to civil and criminal litigation only based on a court decision taken in the manner as envisaged by Civil Procedure Code of the Republic of Armenia and the Criminal Procedure Code of the Republic of Armenia.

2. An employer, the register of participants and the tax authority shall, within two business days upon receiving the court decision, provide the court or the person authorized by the court with information and documents required by the decision, ruling or verdict.

Article 21. Providing the Pension Secret to Heirs of a Participant

1. An employer, the register of participants, the tax authority 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, which prove the inheritance rights.
2. An employer, the register of participants and the tax authority shall, within 10 (ten) business days upon receipt of documents substantiating the heritage rights, provide the heirs with the information constituting a pension secret about a participant, and the documents which they possess.
3. Refusal by an employer, the register of participants and the tax authority 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 of applying persons or organizations incurred due to refusal or failure to provide information and documents within the timeline as set forth in this Law shall be subject to compensation in the manner prescribed by law, provided there has been no good reason for turning down the application or the timelines have been missed due to the fault of an employer, the register of participants and the tax authority.

CHAPTER 5.

PENSION FUND MANAGER

Article 22. Functions of a Pension Fund Manager and Requirements to Activities Thereof

1. Pension fund manager shall implement management of the funded pension fund in accordance with this Law.

The manager implementing management of the funded pension fund shall be prohibited to manage a professional or an unspecified investment fund as prescribed by the Law of the Republic of Armenia “On Investment Funds”.

2. When acting in an official capacity the managers and the employees of the manager shall be obligated to act in the best interests of participants of the fund, perform their rights and

obligations with respect to participants of the fund in good faith and in a reasonable manner and in a due professional manner (fiduciary duty).

3. A pension fund manager must keep a separate recording of its pension assets from that of the pension assets of participants managed by it and the package of securities. 4. The pension fund assets shall not be considered as the property of the pension fund manager and may not be subject to execution against liabilities of the pension fund manager, including in the case of its bankruptcy.
5. A pension fund manager shall, on a daily basis, determine the net value of the assets of each pension fund and fund shares under its management in compliance with the procedure specified by this Law, the regulations of the Central Bank and the rules of the given fund.

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

1. Pension fund managers may be established under the organizational-legal forms as defined by the Law of the Republic of Armenia “On Investment Funds”.
2. Activities of a pension fund manager shall be regulated by the provisions of the Civil Code of the Republic of Armenia, as well as by the provisions of the laws and other legal acts of the Republic of Armenia, unless otherwise provided by this Law.

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

1. The Central Bank performs the state registration and licensing of the pension fund managers in the manner established by the Law of the Republic of Armenia “On Investment Funds”.

Article 25. Requirements and Limitations to Pension Fund Managers

The requirements and limitations specified in the Law of the Republic of Armenia “On Investment Funds” with respect to investment fund managers shall be applicable to the pension fund managers, unless otherwise established by this Law.

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

Issues pertaining 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 the Law of the Republic of Armenia “On Investment Funds.”

Article 27. External Audit of Financial Activities. Conclusion of the Annual Audit

1. Audit of financial-economic activities of the pension fund and its manager shall be conducted in compliance with the Law of the Republic of Armenia “On Investment Funds”.
2. 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.

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

1. The oversight over Pension Fund Managers shall be performed by the Central Bank.
2. Pension fund managers shall be obligated to develop, publicize and submit to the Central Bank annual and intermediary reports and information as defined by this Law, the Law of the Republic of Armenia “On Investment Funds”, and the regulations of the Central Bank. Format of reports, the procedure of submission and publicizing thereof shall be defined by the regulations of the Central Bank.
3. The statements/reports and information publicized by pension fund managers and /or submitted to the Central Bank should be accurate and complete.

Article 29. Information about a Pension Fund Manager and the Fund Managed by It and its Publicizing

1. Public information about a pension fund manager should be accessible for everyone.
2. A pension fund manager should be obligated to operate a website on permanent basis, which should be in Armenian language and should provide at minimum the following information concerning it and the funds managed by it:
 - 1) Financial statements/reports (at least last semi-annual and last quarterly) and the external audit conclusion regarding the annual reports. Moreover, the pension fund managers shall be obligated to publicize the statements/reports envisaged in this Clause also in the press;
 - 2) General information about composition and structure of pension fund assets;

- 3) Information about rate of return;
- 4) Information about 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 persons/entities with substantial participation in statutory capital of the pension fund manager, including the name and the share of participation thereof in the statutory capital of the pension fund manager;
- 6) Membership list of the board of directors and the executive body of the manager and personal data thereof (first and second names, date of birth, CV).

The Central Bank regulations may define the format, procedure (including, means of publicizing) and frequency of publicizing information specified in sub-clauses 1 through 6 of this Clause, as well as other information (except for commercial or pension secrets or professional information established by the law).

3. Pension fund managers should on a daily basis publicize updated information on the pension funds proposed by them in their web site or other media accessible for the public.
4. Pension fund managers should, until May 1 of the year following the end of the financial year, publicize in the press with at least 3000 print run issues the audit conclusion and the annual financial report.
5. Pension fund manager shall have no right to use any misleading information in its commercials, public offers or announcements made on its behalf or use the announcements made by other persons about the pension fund manager, which can be misleading or entail misinterpretation as to the financial situation, financial market position, reputation, goodwill and the legal status of the given pension fund manager.
6. The methodology for calculating the rate of return of a pension fund assets and the reporting standards on the rate of return shall be defined by the Central Bank which shall obtain the prior consent of the state authorized body of the financial sector of the Government of the Republic of Armenia.
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 Pension Fund Managers and Requirements To It

The minimum size of the statutory capital of a Pension Fund Manager shall be defined by Central Bank regulations, however it may not be less than 500,000,000 AMD (five hundred

million) for mandatory pension fund managers and not less than 200,000,000 AMD (two hundred million) in case of voluntary pension fund managers.

Article 31. Advertisements of a Pension Fund Manager

1. Pension fund manager shall be obligated to obtain the approval of the Central Bank regarding the contents of any information considered as advertisement. In the event the Central Bank does not turn down within 10 days the application submitted by the manager on approving the submitted advertisement on grounds provided in Clause 2 of this Article, it shall be considered that the advertisement is approved and the manager may go ahead to publicize the advertisement.
2. The Central Bank shall not approve publicizing of an advertising information or shall prohibit publicizing of any information provided such information:
 - 1/ conflicts with the Law “On Advertisement” of the Republic of Armenia;
 - 2/ conflicts with this Law, as well as the Central Bank regulations;
 - 3/ includes false or misleading information.
4. Pension fund manager shall be prohibited to:
 - 1) Guaranty through the publicized information a forecasted or an expected increase of investments, as well as the forecasted amounts of funded pensions;
 - 2) Have an influence on a person through ungrounded or misleading promises, by making the latter to select a pension fund of the given pension fund manager;
 - 3) Use advertising materials causing an 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 the Pension Fund Manager and Annulment of the Pension Fund Management’s License

1. The general meeting of participants of Pension fund manager is entitled to take a decision on liquidation of the pension fund manager (self- liquidation). Also, pension fund manager’s permission of mandatory or voluntary pension fund management may be annulled by virtue of his/her filed motion.
2. In order to annul the permission on self-liquidation or management of mandatory or voluntary pension fund, the pension fund manager will need the Central Bank’s prior consent in the manner and procedure prescribed by the Law of the Republic of Armenia

“On Investment Funds”, and the Central Bank regulations adopted based on the aforementioned law.

3. Upon receiving the prior consent stipulated in Clause 2 of this Article, the pension fund manager takes actions to transfer the management of all the pension funds under its management to (an)other pension fund manager(s) in compliance with the Law of the Republic of Armenia “On Investment Funds”. In addition, the contract on the transfer of mandatory pension fund management is concluded with the mandatory pension fund manager who has been awarded the contract of the tender organized in the manner prescribed by the Central Bank regulations. The Central Bank regulations define requirements for assessing the applications submitted for the aforementioned tender. These requirements must take into account the management fees applied by the bidder, its financial standing, reputation, experience, and other circumstances.
4. If the pension fund manager’s license or permission of the mandatory or voluntary pension fund management is annulled as a punitive measure, the obligations stipulated in Clause 3 of this Article shall be performed by the pension fund manager (the liquidation committee).

Termination of activities of the pension fund shall be carried out in the manner specified by the Law of the Republic of Armenia “On Investment Funds”.

5. The Central Bank shall inform the register of participants about the decision on pension fund manager’s self-liquidation or on the annulment of the mandatory or voluntary pension fund management’s permission as described in this Article within 3 (three) days after taking such a decision.
6. The register of participants shall within 10 (ten) days notify the participants having selected the given pension fund of the given manager about termination of activities of that pension fund manager and that they have the right to make a new selection of a pension fund.
7. Within 60 (sixty) days after the transfer of the mandatory pension fund to another manager, as described in this Article, the participants of the transferred fund are entitled to change for free the given pension fund in the manner specified in Article 40 of this Law.

CHAPTER 6

CUSTODY OF PENSION FUND ASSETS

Article 33. Custodian of the Pension Fund

1. Custody of pension fund assets shall be implemented in the manner established by this Law and the Law of the Republic of Armenia “On Investment Funds”.
2. A custodian must provide its services of custody of assets in a professional manner, scrutiny and carefulness, by acting in good faith for the sole and exclusive interest of the participants (fiduciary duty).
3. A custodian must separate the assets of each pension fund from its own assets and the funded pension assets of other persons and administer separate accounting thereof.
4. A bank functioning in the territory of the Republic of Armenia may act as a custodian, which provides services of securities custodian for at least two years in the manner established by the Law of the Republic of Armenia ”On Securities Market” A pension fund manager may not conclude a pension fund assets custody agreement with a custodian affiliated to it.
5. In the event the mandatory funded assets of the pension fund are invested also outside the territory of Republic of Armenia, the custodian shall, if necessary, conclude a relevant contract with a foreign custodian for the purposes of implementing such functions through the foreign custodian, in compliance with the Law of the Republic of Armenia “On Investment Funds”.
6. The custodian shall be entitled to perform the custody of two and more pension fund assets at the same time. In such an event the custodian is obliged to separate and administer separate accounts for its own assets and for the assets of each pension fund with respect to any transactions and recordings performed.
7. Pension assets are not considered the ownership of the custodian, may not be subject to execution against the liabilities of the custodian, including in the case of bankruptcy of the custodian.

Article 34. Functions of the Custodian

1. In addition to functions as defined by the Law of the Republic of Armenia “On Investment Funds”, the custodian shall be obliged to notify the Central Bank about any violations by a pension fund manger of the requirements of this Law, the Central Bank regulations and the fund rules and requirements or in case of having any well-founded suspicion of such violations. In case of revealing such a violation or having suspicions on violations as defined in this Article, the custodian should notify Central Bank thereon within 1 day.
2. In addition to functions as defined by Law of the Republic of Armenia “On Investment Funds”, the custodian shall perform the following functions:
 - 1) Organize exchange of voluntary pension fund shares with other voluntary pension fund shares;

- 2) Jointly with the register of participants of the pension fund, organize exchange of mandatory pension fund shares with another mandatory pension fund shares;
- 3) Jointly with the register of participants and the insurance company, organize transferring to the insurance company of funds accrued as a result of redemption of mandatory pension fund shares belonging to participants aimed at concluding an annuity agreement in accordance with this Law;
- 4) Organize redemption of pension fund shares belonging to the pension fund participant for the purposes of concluding a funded pension agreement with the insurance company;
- 5) Implement other functions arising from this Law.

Article 35. Responsibility of the Custodian

1. The custodian shall, in the manner established by the legislation of the Republic of Armenia, bear responsibility for failure to perform or for non-proper performance of its obligations.
2. The agreement concluded between the 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 to participants due to its actions or inaction. Such damages may not be compensated at the expense of mandatory pension fund assets delivered for custody.
4. In the event some portion of the obligations of the custodian are performed by another custodian (sub-custody) according to this Law and the Law of the Republic of Armenia “On Investment Funds”, the main custodian shall bear responsibility for the damages caused, in compliance with the Law of the Republic of Armenia “On Investment Funds”.

Article 36. Changing of the Custodian

1. A custodian may at its discretion terminate the agreement of the pension fund (voluntary termination of the agreement), in the manner established by Article 90 of the Law of the Republic of Armenia “On Investment Funds”.
2. In case of having intentions to terminate the agreement, the custodian must inform the pension fund manager, the Central Bank and the register of participants at least 90 (ninety) days prior to such intentions (in case of custody of mandatory pension fund).
3. In the event of revocation of the custodian’s license, as well as recognition the custodian as bankrupt (mandatory termination of activities) the Central Bank must inform the relevant pension fund manager of the fact within 3 (three) days upon taking the decision.

4. Within 60 (sixty) days after receipt of the information, the pension fund manager shall be obligated to conclude a custody agreement with another custodian.

5. After termination of the contract on custody, the custodian shall be obligated to transfer the pension fund assets and the relevant documents to the new custodian. In the event of termination of the pension fund custody agreement, the custodian shall be obligated to continue performing its obligations defined by the Law, regulations adopted on the basis of it and the pension fund rules until the time of concluding an agreement with the new custodian and transferring to it the assets of the fund. The custodian shall be liable for performance of its duties until all such documents and assets have been fully transferred to the new custodian.

CHAPTER 7

SELECTION OF THE MANDATORY PENSION FUND

Article 37. Obligation of Participants to Select a Mandatory Pension Fund

1. Participants to a mandatory funded pension component shall be obligated to select any pension fund. Moreover, in each case a participant may election only one fund. Each funded contribution (contributions) made for (in favor of) a participant during the same time period may not be directed simultaneously to more than one pension funds.
2. Complete and updated information about the pension fund managers and their pension funds should be available on permanent basis with the register of participants (including on the web site) and the account operator.

Article 38. Selection of the Pension Fund

1. To select a mandatory pension fund a participant shall submit an application on selection of a mandatory pension fund to the register of participants by means specified in Article 12, Clause 5, paragraph 2 of this Law or through the account operator. The application form and the manner of its submission shall be defined by the Central Bank regulations.
2. An application stated in Clause 1 of this Article shall incorporate the following information:
 - 1) participant's name, surname, passport series and number, date of birth;
 - 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 address, if available, place of residence and etc.);

- 4) preferable means of receiving information by the participant from the register of participants (statement from the pension account, letter, electronic communication, etc.);
- 5) name of the selected pension fund manager and the pension fund;
- 6) statement on agreement with the requirements of the selected pension fund manager on management fees and fund rules;
- 7) certification that s/he is aware about the obligation to make funded contributions;
- 8) date (year/month/day) of submission of the application;
- 9) signature of the participant (his/her authorized representative), with the exception of cases when the application has been filed electronically in a manner which ensures identification of the person.

3. The participants shall be obligated to notify the register of participants about any changes in personal data in the application specified in Clause 1 of this Article.

Article 39. Failure to Select a Pension Fund Manager

1. In the event a participant fails to select a pension fund within the timelines and in the manner specified in Article 10, Clause 2 of this Article, the selection on behalf of the participant shall be conducted by the register of participants through a program module.

The software module will randomly distribute participants who have made no choice yet among all pension fund managers in proportion to other participants' choices on the basis of the previous day proportion of transferring the pension fund shares to pension accounts of participants in accordance with Article 11, Clause 2 of this Law.

Funded contributions of participants having failed to select a pension fund manager shall be used to acquire pension fund shares of the average risk (conservative) pension funds of a randomly selected pension fund manager.

2. The register of participants shall be obligated to immediately 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.

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

1. A participant shall be entitled to change for free the mandatory pension fund previously selected and direct his/her future funded contributions to any pension fund managed by the same or the new pension fund manager.

In the case specified in this Clause, a participant shall fill out and submit to the register of participants an application specified in Article 38, Clause 1 of this Law.

2. A participant shall be entitled only to exchange his/her mandatory pension fund shares with another mandatory pension fund shares. A participant shall be entitled only to exchange his/her mandatory pension fund shares with another mandatory pension fund shares (managed by the same or another manager) by submitting to the register of participants an application on exchanging of the fund shares. In case of exchanging of the mandatory pension fund shares a redemption fee of shares subject to exchange may be charged from the participant in compliance with Article 45, Clauses 2 and 3 of this Law.
3. The application specified in Clause 2 of this Article should contain information prescribed in Article 38, Clause 2 of this Law, as well as the names of the previous and the new pension funds and the managers thereof. The form of application provided in Clause 2 of this Article shall be defined by the Central Bank regulations.
4. The register of participants shall turn down the application prescribed in Clauses 1 or 2 of this Article, if it falls short of requirements of this Law and the regulations adopted subsequent to it.

The register of participants shall notify the participant having filed the application about the refusal, by providing the reasons for refusal in writing within 5 days.

5. In case of charging fees for exchanging the pension fund shares as established by Clause 2 of this Article and Clause 2 of Article 45 of this Law, the register of participants shall notify the participant thereon, by stating the amount of the fee to be charged.
6. Starting from the moment the application specified in Clause 1 of this Article is submitted to the register of participants the funded contributions done for (in favor of) the participant shall be directed to the newly selected pension fund.
7. Exchange of the mandatory pension fund shares shall be implemented within 10 days after receiving the participant's application as prescribed in Clause 2 of this Article.
8. In case of exchanging the mandatory pension fund shares the buying back (redemption) and distribution prices of the respective fund shares calculated and publicized for the same day shall be taken as a basis, by considering the requirements envisaged in this Law and Article 29 and Article 32, Clause 5 of the Law of the Republic of Armenia "On Investment Funds".
9. The register of participants may perform the obligations specified in Clauses 4 and 5 of this Article through the information system – through the website of the register of participants or the account operator.
10. Exchange of the pension fund shares shall be prohibited in case when buying back (redemption) of shares subject to exchange or the issuing of new fund shares are terminated:

- 1) By the joint decision taken by the Central Bank and the state authorized body of the financial sector of the Government of the Republic of Armenia; or
- 2) In compliance with the rules of the mandatory pension fund on grounds specified by rules of the fund. Moreover, mandatory pension fund rules may define only the grounds of termination of redemption of shares subject to exchange or issuing of new fund shares defined by the joint decision taken by the Central Bank and the state authorized body of the financial sector of the Government of the Republic of Armenia. In the case prescribed by this sub-clause, the buy-back (redemption) of shares subject to exchange or issuing of new fund shares are terminated for the period of time not exceeding 3 months, by notifying the Central Bank and the custodian about termination of buying-back (redemption) of shares subject to exchange or issuing of new fund shares, by also stating the grounds, as well as by publicizing the relevant information within 3 days in the press having Republican wide coverage and the issuing number of 3000 (three thousand).

CHAPTER 8

INVESTMENT OF MANDATORY PENSION FUND ASSETS

Article 41. Principles of Investment of Mandatory Pension Fund Assets

1. Mandatory pension fund assets may be invested exclusively in accordance with the requirements of this Law, the regulatory acts adopted on the basis of this Law, as well as the rules of the given fund.

Pension fund managers shall be obligated to have at least 1% participation of their own assets in each mandatory pension fund managed by them. In case of reduction of the minimum rate as defined in this paragraph the pension fund manager shall, within one month, be obligated to increase the participation to complete the norm of 1% of its own participation in each mandatory pension fund. The procedure of transferring the investments from out of the own fund assets of manager of the mandatory pension fund into shares is defined by the Central Bank.

2. For the purpose of maximizing the efficiency of investments in favor of the participants of the mandatory funded component, the investments of mandatory pension funds should be based on the following principles:
 - 1) security and profitability of assets;
 - 2) diversification of risks;
 - 3) securing of relevant liquidity.

3. Investment of funded pension assets for reasons and principles other than those stipulated in Clauses 1 and 2 of this Article shall be considered as violation of obligations undertaken by a pension fund manager.
4. Pension fund manager shall be obligated to launch a risk management system, which will enable it to monitor and assess the position risks at any time and their portion in the general risks of the pension fund.

The requirements to the risk management system shall be defined by the Central Bank regulations.

Article 42. Description of the Mandatory Pension Fund

1. Mandatory funded pension funds are as follows:
 - 1) Balanced fund, according to the rules of which the total weight of shares and the derivative tools purchased to hedge them may not exceed 50% of the fund's assets;
 - 2) Conservative fund the rules of which envisage that the total weight of shares and the derivative tools purchased to hedge them may not exceed 25% of the fund's assets;
 - 3) Fixed income fund the rules of which state that assets may not be invested in shares and the derivative tools based on these shares.
2. Pension fund managers shall be obligated to submit to the Central Bank the fund rules for each mandatory pension fund for registration, which in addition to requirements set forth in the Law of the Republic of Armenia "On Investment Funds" shall establish the following:
 - 1) the procedure of issuing and redemption of shares of the fund manager;
 - 2) procedure of calculation and making payment of program withdrawals;
 - 3) Procedure of redemption of the pension fund shares and transferring received funds to the insurance company;
 - 4) Procedures prescribed for taking decisions in relation to investments of the mandatory pension funds and the responsible officials.

Each pension fund manager should be obligated to offer at least a conservative fund.

3. The Central Bank may issue regulations establishing additional requirements with respect to pension fund managers.
4. Each mandatory pension fund registered by a pension fund manager should differ from other mandatory pension funds registered by the same pension fund manager by at least 15% of the invested share limit.

5. In the meaning of Clauses 1 through 4 of this Article shares shall not include shares (stock) of the investment funds, according to the rules (charter) of which the shares of the fund may be invested only in the form of bank deposits, overdue securities or derivative tools acquired for hedging specified in Article 43 of this Law.

Article 43. Permissible Investments of Mandatory Pension Fund Assets

1. Mandatory pension fund assets may be invested in the Republic of Armenia and abroad.
2. Mandatory pension fund assets may be invested in foreign countries in the following instruments:
 - 1) deposits and bank accounts of financial organizations that are accredited and supervised by authorized bodies supervising the banking system in the Organization for Economic Cooperation and Development (OECD) or the European Union (EU) member countries;
 - 2) securities issued or fully guaranteed by OECD and EU member states and their central banks;
 - 3) any securities admitted to a regulated market registered and supervised by the authority which supervises the capital market of OECD and EU member states;
 - 4) units (shares) of investment fund registered and supervised by the authorized body supervising the capital market in OECD and EU member states;
 - 5) derivative tools with the sole purpose of hedging.

The Central Bank regulations may define minimum criteria for foreign issuers or their securities, in which mandatory pension fund assets may be invested.

3. Mandatory pension fund assets may be invested in the Republic of Armenia in the following assets:
 - 1) bank accounts and deposits of banks, provided the bank is not in the process of insolvency (bankruptcy);
 - 2) securities issued or fully guaranteed by the Republic of Armenia or the Central Bank;
 - 3) securities which are permitted to the regulated market of the Republic of Armenia;
 - 4) securities issued by investment funds, which are supervised by the Central Bank;

- 5) derivatives with the sole purpose of hedging.

The Central Bank regulations may define minimum requirements for rating of legal entities registered in the Republic of Armenia and their securities in which mandatory pension funded assets can be invested.

4. The mandatory pension fund assets may not be formulated at the expense of borrowed funds, except when the funds have been borrowed for the period of redemption of up to 3 months and comprise up to 10% of the given pension fund assets and provided the requirements in terms of limits prescribed by this Law have not been violated as a result of such borrowings.

Article 44. Limitations to Investment of Mandatory Pension Fund 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 currency limitations as defined by the Government of the Republic of Armenia.
2. Mandatory pension fund assets may not be invested in the following:
 - 1) securities issued by the given pension fund manager and custodian, as well as the securities issued by persons affiliated to the latter;
 - 2) securities issued by the auditor of the given pension fund manager or custodian;
 - 3) securities issued by persons providing consultancy services to the given pension fund manager or custodian;
 - 4) derivative securities, except for investments for hedging purposes;
 - 5) assets the alienation of which is prohibited or restricted;
 - 6) real estate or other physical assets (pieces of art, commemorative coins, religious icons, antique goods, valuable cars, etc.).
3. Securities incorporated in the mandatory pension fund assets may not be sold outside the regulated market or be alienated in any other manner to:
 - 1) custodian of the given pension fund;
 - 2) manager of the given pension fund;
 - 3) members of the management board of the given pension fund manager or the custodian;
 - 4) persons affiliated to those stipulated in sub-clauses 1; 2 and 3 of this Clause.

4. The pension fund manager and custodian may not provide loans and guarantees for performing of liabilities to each other.
5. Mandatory pension fund manager shall take measures to adjust the pension fund investments to the requirements of this Law and to ensure possible maximize returns, preserve and save pension fund assets, if the limitations established in Clause 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 fund assets have been invested;
 - 4) other circumstances independently and beyond the control of a pension fund manager.
6. The adjustment of investments to the requirements specified in this Law shall be completed no later than 6 (six) 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 exercise the rights arising from the securities attached to the fund, by acting solely in the interests of participants.

CHAPTER 9

FEES CHARGED FOR SERVICES

Article 45. Contributions Made in the Account of the Mandatory Pension Fund Manager and Fees Charged from the Mandatory Pension Fund Assets and Expenses Incurred

1. The pension fund manager shall from the mandatory pension fund assets charge fees (honorarium) for the mandatory pension fund management in the amount specified in Article 47 of this Law.

Except for the honorarium specified in the first paragraph of this Article, the mandatory pension fund manager may, at the expense of the mandatory pension fund assets, also charge fees for expenses incurred in relation to management of the given mandatory pension fund, the composition and the maximum amount of which shall be defined by the Central Bank in agreement with the state authorized body of the financial sector of the Government of the Republic of Armenia.

Withdrawals from the mandatory pension fund assets, other than the payments and fees specified in this Law, shall be prohibited.

2. Pension fund rules may, except for the cases specified in Clause 3 of this Article, define fees for redemption of mandatory pension fund shares, which shall not exceed 1 percent of book value of the redeemed shares.
3. No fees for redemption of mandatory pension fund shares shall be charged in case of receiving of accrued funds in the form of an annuity, program withdrawal or a lump sum payment in case of obtaining an entitlement to pension in the manner established by this Law, as well as in the following cases:
 - 1) Exchanging by the participant of his/her pension fund shares of the manager with the shares of another pension fund of the same pension fund manager;
 - 2) Exchanging of the pension fund shares on grounds specified by Article 32, Clause 7 of this Law;
 - 3) Transaction of exchange by the participant of his/her pension fund shares with another pension fund shares for the first time during the course of 12 months;
 - 4) Exchange by the participant (for the participant) of the pension fund assets for the first time in the manner established by Articles 38 and 39 of this Law after opening of a pension account for the person in compliance with this Law;
 - 5) First transaction of exchange of shares by an heir inherited in the manner established by Chapter 12 of this Law.

Article 46. Fees for Services of the Custodian

The fees for the services of the mandatory pension fund custodian shall be committed in accordance with the agreement concluded with the given pension fund manager, at the expense of the given pension fund manager.

Article 47. Honorarium of the Mandatory Pension Fund Manager

1. The pension fund manager shall, by its mandatory pension fund rules, establish annual honorarium for managing the pension fund and the procedure for calculating the fees.
2. The annual pension fund management fees of a pension fund manager shall not exceed 1.5% of the market value of pension assets under management of the given pension fund manager.

Article 48. Fees for Services of the Register of Participants

1. Fees for the services of the register of participants shall be made in accordance with the agreement concluded with the pension fund manager, at the expense of the given pension fund manager.
Amount of fees charged by the register of participants should be economically justified and secure reasonable profitability for it.
2. Maximum amount of fees charged for services of the register of participants shall be defined by the agreement concluded between the Government of the Republic of Armenia and the register of participants.
3. Fees shall be charged from participants or the heirs thereof against the application submitted to the register of participants in accordance with Article 10, Clause 5 of this Law or the application on establishment of inheritance. Such fees should not exceed the sum of costs for preparation thereof and the reasonable profits.

CHAPTER 10.

GUARANTYING THE RETURN OF MANDATORY FUNDED CONTRIBUTIONS MADE BY PARTICIPANTS AND THE PROCEDURE THEREOF

Article 49. Guarantying the Return of Mandatory Funded Contributions Made by Participants

1. Return of the total amount of mandatory funded contributions made by participants with adjustments of annual rate of inflation less respective management costs shall be guaranteed.
2. Guarantee Fund established on the basis of this Law shall secure the guarantees by 20%, whereas its remaining 80% shall be covered by the Republic of Armenia.

Article 50. A Case of on Repayment of Guaranteed Mandatory Funded Contributions

1. As a case of repayment of mandatory funded contributions by participants shall be considered a situation when, as of the date of receiving of the application specified in Article 54 of this Law, the sum of the book value of mandatory pension fund assets available in the pension account of the participant is less than the amount defined by Article 49, Clause 1 of this Law.
2. Repayment to each participant established by this Chapter shall be done only once.

Article 51. Funds of Guarantee Fund and Guarantee Fees

1. The funds of the Guarantee Fund are generated from the amounts of guarantee payments set forth by this Law, incomes gained from their management, amounts generated from claims against pension fund managers in accordance with Article 52, Clause 5 of this Law, other returns and earnings.

2. Amounts of guarantee payments made by fund managers shall be accrued on the guarantee fund account opened with the Central Bank.
3. The amounts of Guarantee Fund may be used in the manner and terms established by this Law exclusively for the purposes of repayment of guaranteed mandatory funded pensions, as well as to cover other operational and administrative costs related to the management of guarantee fund and for implementation of capital investment programs, which are defined by the Law of the Republic of Armenia “On Guarantying of Repayment of Bank Deposits Made by Natural Persons for Deposit Guarantee Fund” for the Deposit Guarantee Fund.
4. The annual administrative costs for guarantee fund management and capital investments may not exceed 0.1% of the collected guarantee payments.
5. The mandatory funded pension fund managers, with the exception of managers of insolvent pension funds, shall be obligated to pay periodically or as lump-sum guarantee fees to the Guarantee Fund as prescribed by this Law. The calculation method of guarantee payments shall be established by the Government of the Republic of Armenia.
6. Pension fund managers shall pay a lump-sum guarantee amounting of 15 million Armenian drams to its account within 10 days upon receipt of permission on pension fund management.
7. The regular guarantee payments shall be made on a quarterly basis before the tenth business day of the month following that quarter. The amount of regularly paid guarantee payments shall be calculated to be at annual 0.02% of mandatory pension fund assets under the management of pension fund managers, on daily basis. In addition, regular guarantee payments shall be made at the expense of the respective mandatory pension funds assets.
8. The funds accumulated with the Guarantee Fund shall be considered the ownership of the Republic of Armenia.
9. In the event when the funds of the Guarantee Fund, except for loans, borrowings, guarantees, grants, contributions and donations, on the final day of the reporting quarter, are beyond 2.5% of mandatory pension fund assets under the management of all the pension fund managers, who pay guarantee fees as of the final date of that quarter, the pension fund managers may not pay regular guarantee fees. The Guarantee Fund shall notify thereon the pension fund managers and the state authorized body of financial sector of the Government of the Republic of Armenia before the fifth day of the month following the reporting quarter.

10. Failure to perform guarantee payments defined by this Article, interests equal to a three-fold size of the bank interest rate effective as of the day specified for guarantee amount payment shall be applied to these amounts payable at the expense of non-performing pension fund manager.

Article 52. Repayment of Mandatory Guaranteed Funded Contributions Made by the Participants, Exchange of Information and Oversight

The Decision on repayment shall be taken by the Register of Participants within 5 business days after it receives the participant's application prescribed in Article 54, Clause 3, paragraph 2 of this Law on enforcement of the appropriate payment. Following this, the register of participants informs the participant within 3 working days about existence of the case of repayment (or its absence) and the amount of difference as specified in Article 50 of this Law.

2. Within 2 business days the Register of Participants shall, upon disclosure of the fact of repayment, notify the state authorized body of the financial sector of the Government of the Republic of Armenia and the Guarantee Fund in the form defined by the Government of the Republic of Armenia about this fact (including the amount of difference stipulated by Article 50 of this Law) by filing the appropriate documents and information specified by the Government of the Republic of Armenia.
3. The state authorized body in the financial sector of the Government of the Republic of Armenia and the Guarantee Fund shall, within 5 business days upon receipt of documents and information specified in Clause 2 of this Article, if the fact of repayment case is approved, deliver the balance of the amount specified in Article 50 to the Register of Participants in the manner defined by the Government of the Republic of Armenia and to the extent of shares each of them possess defined by Article 49, Clause 2 of this Law.
4. When paying out mandatory funded pensions, the Register of Participants shall add up to the amount received from redemption of all the shares available in the pension account of participants the amount that is generated in the manner prescribed in Clause 3 of this Article. In the event the participant, upon receiving the amount specified in Clause 3 of this Law, wishes to receive the pension in the form of a program withdrawal, the pension fund shares shall be acquired for the participant in the manner established by Article 11 of this Law at the expense of amount defined in Clause 3 of this Article, to which the participant has made contributions at the moment of submission of the application as prescribed by Article 54, Clause 3 of this Law.
5. In case, if a repayment, adjusted with annual rate of inflation less respective management costs is effected, the Republic of Armenia and the Guarantee Fund shall obtain a claim against the pension fund manager(s) with a retroactive force equal to the total of amounts

repaid and repayment arrangement costs, if such repayment has been caused by its (their) action or inaction, except when the manager proves that it has acted within its fiduciary duties.

6. The procedures and terms for information exchanges between Guarantee Fund and the Central Bank, as well as Guarantee Fund and the Register of Participants shall be defined by the Central Bank regulations.
7. The procedures and terms applied for information exchange between Guarantee Fund and the state body of financial sector of the Government of the Republic of Armenia shall be defined by the Government of the Republic of Armenia.
8. The Central Bank shall be responsible for conducting supervision and imposing liability over the activities of Guarantee Fund prescribed by this Law and other laws and underlying respective legal acts regulating such activities, as well as Guarantee Fund and its director in the forms and terms as provided by the Law of the Republic of Armenia "On the Central Bank of Armenia" and "Guarantee of Remuneration of Banking Deposits of Natural Persons".

CHAPTER 11

PAYMENT OF MANDATORY FUNDED PENSIONS

Article 53. Types of Mandatory Funded Pensions

1. Types of funded pensions are as follows:
 - 1) Annuities;
 - 2) program withdrawals;
 - 3) lump-sum payments.
2. The size of a funded pension is determined based on the value of pension fund shares available in the pension account of a participant and the period of payment of funded pensions.
3. The register of participants 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 confiscation in the manner established by the legislation of the Republic of Armenia.

Article 54. Procedure of Receiving Mandatory 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, except for the cases specified in this Law. A participant may dispose of his/her pension assets irrespective of the fact of receiving of a state pension.
2. In case of wishing to receive mandatory funded pension, the participant shall submit an application to the register of participants for receiving of statement of information about the mandatory pension fund shares available in his/her pension account, the total book value thereof, as well as the monthly amount when distributing the amount of the participants into equal monthly payments. The register of participants shall be obligated to supply the participant with the statement with information stated in the first sentence of this clause within 3 days after receipt of the application. The format of the application to be submitted by a participant to the register of participants, as well as the format of the statement of information supplied by the register of participants to the participant shall be defined by the Central Bank regulations. The pension account balance shall be developed starting from the day of participation in the mandatory funded component until the day of submission of an application to the register of participants.
3. Given the total book value of mandatory funded pension shares available in the pension account of a participant, the latter may receive his /her mandatory funded pension in the following manner:
 - a) in case when shifting the participant's funds into equal monthly payments in compliance with Article 53, Clause 3 of this Law, the monthly amount is less than 75 percent of the basic pension or equal to it, the participant shall be entitled to receive the funded pension in the form of program withdrawals (except for the case specified in Article 52, Clause 4 of this Law) or in the form of a lump-sum payment;
 - b) in case when shifting the participant's means into equal monthly payments in compliance with Article 53, Clause 3 of this Law, the monthly amount is more than 75 percent of the basic pension but less than five-fold of such a pension, the participant shall be obligated to manage his/her assets through purchasing of annuity in the amount received as a result of redemption of mandatory pension fund shares;
 - c) in case when shifting the participant's means into equal monthly payments in compliance with Article 53, Clause 3 of this Law, the monthly amount is more than five-fold of the basic pension, the participant shall be obligated to pay part of his/her assets generated as a result of redemption of some part of the mandatory pension fund shares to conclude an annuity agreement securing

five-fold of the basic pension. S/he shall be entitled to manage the remaining assets in the form of program withdrawals (except for the case specified in Article 52, Clause 4 of this Law) 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 irrespective of the fact as to whether or not the receiver of annuity receives any other annuity, state pension and/or other benefit from other sources.

Article 55. Transferring of Assets of the Participant 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 redemption of shares and transferring the means generated as a result of such a transaction to the insurance company. The application form, as well as the list of documents attached to it shall be defined by the Central Bank regulation.
2. The register of participants shall be obligated to notify the pension fund manager about the request on redemption and, within 10 business days of receiving of the application specified in Clause 1 of this Article, jointly with the pension fund custodian organize, redemption of shares available in the pension account of the participant and transfer of means generated as a result of such a transaction to the insurance company stated in the participant's application for the purposes of purchasing an annuity.
3. Should the register of participants fail to transfer the pension assets within the timeline specified in Clause 2 of this Article, the register of participants shall pay the participant a fine for each overdue day in the amount of 0.01 percent of the overdue amount. In case of paying of a fine specified in this Clause, the register of participants may bring a counteraction against the given pension fund custodian, if the custodian should blame for the default.
4. The insurance company shall inform the participant having entered into an agreement with it in writing about receipt of funds specified in Clause 2 of this Article and the size of the amount within 7 (seven) days following receipt thereof.

Article 56. 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 years or 5 years.
2. Annuity guaranteed for certain period of time is payable throughout the lifetime, however if the person dies before the 10 years or 5 years of guaranteed period (covered by the contract) has elapsed, the persons considered as heirs by law shall be entitled to receive from the insurance company the remaining sum of the annuity guaranteed for certain period of time.
 3. The annuity of married couples shall be paid during the lifetime of the person in favor of 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 pass away during the guarantee period, their heirs shall receive the portion of the non-paid amount specified in the annuity agreement.
 4. The rights arising from the annuity agreement may not be pledged as a security for performance of other liabilities.

Article 57. Entering into an Annuity Agreement

1. Under the annuity agreement an insurance company shall be obligated to pay an annuity to the participant from the pension account of the participant against the lump-sum funds transferred to it as established by Article 55 of this Law. An insurance company is obligated to conclude an annuity agreement with each participant who has selected one of the annuities provided by the insurance company (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) the statement of information provided by register of participant in accordance with Article 54, Clause 2 of this Law about the total book value of pension fund shares available in the pension account of the participant.
4. When entering into an annuity agreement an insurance company shall be prohibited from requiring 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 and conditions of termination of annuity agreement;
 - 6) liability for breach of terms and conditions of the annuity agreement;
 - 7) other conditions defined by law.
6. Along with the essential conditions as established by this Law and the Central Bank regulations, an annuity agreement may stipulate other provisions at the discretion of the parties which do not conflict with the provisions of this Law and the Central Bank regulations.

Article 58. Termination of an Annuity Agreement

1. An annuity agreement is terminated in the event of the death of the participant, and in case of an annuity agreement for a married couple, after the death of the second spouse with the exception of the case as envisaged in Clause 2 of this Article.
2. In the event of the death of persons receiving annuity during the guaranteed period, the annuity contract will be terminated in case the balance of the amount defined by the agreement is paid to heirs in the manner established by law.
3. In the event the insurance company violated the terms of the agreement by failing to pay the annuity for two subsequent times, the participant (or spouse) can terminate the agreement at their initiative by requiring from the insurance company to reimburse the lost income.
4. In case of discontinuing of the annuity agreement on grounds specified in Clause 3 of this Article, the remaining annuity amount shall be subject to be transferred to another insurance company specified by the person. The methodology for calculating the balance and the procedure of transferring it to another insurance company shall be established by Central Bank regulation.

Article 59. Program Withdrawal

1. In cases prescribed by Article 54, Clause 3, points “a” and “c” of this Law funded pension shall be paid in the form of a program withdrawal.
2. Program withdrawal is a pension paid on monthly basis at the expense of partial redemption of pension fund shares available in the participant’s pension 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 60. Lump Sum Payment

1. A lump sum payment shall be made:
 - 1) in the cases defined in Article 54, Clause 3, points “a” and “c” of this Law;
 - 2) to a participant recognized as a third degree disabled prior to attaining the pension age in the manner as envisaged by legislation;
 - 3) in the event a participant 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,
 - 4) in the amount defined in Article 61, Clauses 4-6 of this Law - in case of death of the participant.
2. In case of presence of any of the grounds as provided in Clause 1 of this Article, the right holder (participant, heir or other authorized natural person) shall file an application to the register of participants by stating the grounds for making a lump sum payment. The application form shall be defined by Central Bank regulation.
3. The register of participants shall be obligated to, within 3 business days upon receiving of the application, redeem the shares available in the pension account of the participant 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, the register of participants shall pay to the participant a fine for each overdue day in the amount of 0.01 percent of the overdue amount. In case of paying of a fine specified in this Clause, the register of participants may bring a counterclaim against the given pension fund custodian, if the custodian should blame for the default.
5. A lump sum transfer may be made prior to attaining of the pension age also in case:
 - 1) the citizen of the Republic of Armenia leaves for a foreign country for permanent residence and renounces the citizenship of the Republic of Armenia, or
 - 2) foreign citizens who were working in Armenia depart to their country of permanent residence.

Lump sum payments specified in this Clause may be made only through a non-cash transfer to the mandatory funded account of the person in the given foreign country. In case the person has no mandatory funded pension account in the given foreign country or making of the transfer of the funds is impossible due to a valid reason, the persons envisaged in sub-clauses 1 and 2 of this Clause may receive their pension assets accrued in Armenia in the manner provided by Article 54 of this Law.

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

CHAPTER 12

INHERITANCE OF PENSION FUND SHARES AND ANNUITY

Article 61. Inheritance of Pension Fund Shares and the Annuity

Relationships pertaining to inheritance of pension fund shares and the annuity are regulated in the manner provided by this Law and the Civil Code of the Republic of Armenia.

2. Pension fund shares and the annuity may be transferred to natural persons and the Republic of Armenia in the manner of inheriting.
3. Subject to inheritance shall be both fund shares available in the pension account of a participant who dies before attaining the pension age and the shares and annuity of a pensioner who dies during the period of receiving funded pension.
4. In the event of death of the participant, the pension fund shares available in his/her pension account shall be transferred to the pension account of his/her heir or shall be redeemed in the manner prescribed by this Law and paid to the heir in the form of a lump-sum payment. Moreover, if the total book value of pension fund shares subject to inheritance available in the pension account of the deceased participant:
 - 1) is less than twenty-five fold of the basic pension, the shares shall be redeemed and the amount gained due to redemption shall be paid to the heirs in the form of a lump-sum payment;
 - 2) exceeds 25 (twenty five) fold of basic pension, the amount equal to the 25 (twenty five) fold of basic pension shall be redeemed and paid to an heir as a lump-sum payment, while the exceeding amount shall be transferred to the funded pension account of the heir, provided s/he participates in the mandatory funded pension system. If the heir wishes to exchange the inherited pension fund shares with the shares available on his/her account, s/he shall be obligated to fill out and submit to the register of participants the application as provided in Article 62, Clause 1 of this Law.
5. If the heir of the deceased participant does not participate in the mandatory funded component, the register of participants should open a pension account for the heir and transfer the inherited pension fund shares to such an account, irrespective of the age of the heir. From that time on, the heir obtains all the rights and obligations of a pension fund participant arising from this Law, except for the obligation to make mandatory funded contributions. If the heir is not a citizen of the Republic of Armenia and has no pension account opened with the Register of Participants, s/he shall receive the amount in the manner established by this Law in the form of a lump-sum payment.

6. The pension of the deceased pensioner subject to inheritance shall be paid to the heirs in the amount specified by the Law in the form of a lump-sum payment. The procedure of inheriting the annuity and the respective application form are defined by the Central Bank regulations.
7. If the deceased participant has no heirs, his/her pension fund units shall be redeemed by the register of participants and the existing funds shall be transferred to the state budget of the Republic of Armenia.
8. Provisions of Clause 7 of this Article shall apply also to the pension fund shares the owners of which were not discovered during the period of 3 (three) years and which were not entered in the pension account of any person.

Article 62. Procedure of Inheritance of Pension Assets

1. Within a period of 1 (one) year upon receipt of an inheritance certificate an heir shall file an application with the register of participants requesting redemption of inherited pension fund shares and receiving as a lump-sum payment of the monetary funds generated as a result of redemption in the manner defined by this Law or transferring of inherited pension fund shares to his/her pension account. The heir shall be obligated to attach the copy of the inheritance certificate to the application.
2. The application envisaged in Clause 1 of this Article can be submitted electronically or on a paper. The form of the application will be determined by Central Bank regulation.

The application specified in Clause 1 of this Article must contain the following information:

- 1) the heir's name, surname, passport series and number;
- 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 and is not a participant of the mandatory funded component;
- 3) heir's contact information (phone, e-mail address and etc.);
- 4) preferred means of receiving by the heir of information from the register of participants (by mail, e-mail address 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) certifying on acceptance of the given pension fund rules stated in Sub-clause 7 of this Clause;
- 9) certification on requiring redemption of pension fund shares and lump sum payment of funded 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 (authorized representative 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 the pension funded shares to his/her pension account, information stipulated in sub-clause 9 of this Clause shall not be filled out.

If the heir has filed an application on redeeming the inherited pension fund shares and on receiving as a lump-sum payment the full amount of funds generated in accordance with this Law, , shall be exempt from filling out information stipulated in sub-clauses 7 and 8 of this Clause.

3. The application provided in Clause 1 of this Article may not be called back or amended.
4. If the heir has filed an application for transferring the inherited pension fund shares to his/her pension account, provisions envisaged in Article 38, Clause 2 of this Law shall apply with respect to such an application.
5. Upon submission of the application envisaged in Clause 1 of this Article the register of participants shall organize transferring of the pension fund shares to the pension account of the heir and/or redemption of the pension fund shares and payment of the means generated as a result of redemption in the form of a lump-sum payment within 3 business days upon receiving of the application. When performing redemption of shares, requirements established by this Law, Article 29 and Article 32, Clause 5 of the Law of the Republic of Armenia “On Investment Funds” shall be applied with respect to calculation of the buying back (redemption) value.
6. Failure to submit 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 the course of 3 (three) years will result in the redemption of the shares and the funds generated as a result of redemption shall be transferred to the state budget of the Republic of Armenia.

Article 63. Turning Down the Application on Inheritance of Pension Fund Shares

1. The register of participants shall be entitled to turn down the application filed in compliance with Article 62 of this Law, provided the application falls short of requirements of Article 62, Clause 2.

The register of participants shall notify the heir having submitted the application in writing about turning down of the application and the reasons thereof.

2. In case the register of participants turns down the application specified in Article 62 of this Law, the heir should be obligated to file a new application which should be in compliance with requirements set forth in Article 62, Clause 2 of this Law.

CHAPTER 13

Voluntary Funded Pension Component

Article 64. Principles of Activities of the Voluntary Funded Pension Activity

1. The voluntary funded component of the pension system of the Republic of Armenia is based on the following principles:
 - 1) voluntary participation by natural persons and legal entities;
 - 2) provision of tax privileges for participation in the voluntary funded pension component.
2. There are the following types of voluntary funded pension schemes:
 - 1) defined pensions;
 - 2) funded pension deposits;
 - 3) defined pension contributions.

Article 65. Implementing Voluntary Funded Pension Activities

1. In the territory of the Republic of Armenia only voluntary pension funds (pension fund managers), banks and insurance companies are entitled to offer voluntary pension schemes.
2. A party to the voluntary funded pension agreement may be an employer, who enters into a voluntary pension agreement on behalf of its employees, as well as a natural person who is entitled to enter into a voluntary funded pension agreement in his/her or others' favor.

3. The voluntary funded pension funds shall be obligated to define the rules of voluntary funded pension funds, which should address the amount of voluntary funded pension contributions, size of redemption of shares, the timeline and frequency of making payments, the timeline and frequency of making pension payments, as well as other requirements as envisaged by the Central Bank regulation.
4. The rules for voluntary funded pension schemes may be amended only for the future time periods and such rules may not deteriorate the voluntary funded pension conditions of the participants /beneficiaries.
5. An individual may participate simultaneously in more than one voluntary schemes.
6. A person gets entitlement to receiving of voluntary funded pension upon attaining the pension age, except for the cases specified in Clause 7 of this Article;
7. Before attaining the pension age, a participant shall be entitled to receive his/her funds in the form of a lump-sum payment in the following cases:
 - 1) the participant is recognized in the manner established by legislation as a person having the third degree of disability in terms of engaging in employment activities;
 - 2) on the basis of conclusion issued by authorized entity recognized as such by the Government of the Republic of Armenia that the participant suffers with any high-risk serious sickness and incurable diagnoses of vital organs;
 - 3) the citizen of the Republic of Armenia is leaving abroad for permanent residence and is revoking the citizenship of the Republic of Armenia;
 - 4) the foreign citizens who were working in Armenia depart to their country of permanent residence;
 - 5) termination (liquidation) of the voluntary pension fund.

In all other cases participants to the voluntary funded pension schemes may use the funds accrued on such schemes only upon attaining the pension age.

Article 66. Providing of Voluntary Funded Pensions by Insurance Companies

1. Insurance companies may offer only “defined pension” schemes.
2. A person may receive from the insurance company the voluntary funded pension in the following forms:
 - 1) A lump-sum payment;
 - 2) Life time periods or payments for specified time period (annuity).
3. Insurance companies must have an employee with relevant qualifications established by the Republic of Armenia 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. Insurance companies shall dispose of and use assets of voluntary funded pension contributions according to the requirements established by the law of the Republic of

Armenia “On Insurance and Insurance Activity”. The Central Bank regulations may define requirements to technical reserves and investments of companies offering “defined pensions” scheme.

5. Pensions shall be paid by the insurance companies in the manner prescribed by this Law and the agreement on voluntary funded pension (annuity). The Central Bank regulations may define mandatory requirements to the voluntary funded pension (annuity) agreement, as well as the agreement to be concluded between the employer and the insurance company in the manner established by Article 74 of this Law. Envisaging such requirements in the agreements shall be the obligation of the insurance companies.

6. The annuity of the deceased pensioner subject to inheritance shall be paid to the heirs in the form of a lump-sum payment in the amount prescribed by the Law and the annuity agreement. The procedure of receiving from the insurance company the inherited annuity and the form of the application shall be defined by the annuity agreement.

Article 67. Provision of Voluntary Funded Pensions by the Banks

1. Banks may offer only “funded pension deposits” voluntary funded pension schemes.
2. A person may receive from the bank the voluntary pension in the following forms:
 - 1) A lump-sum payment;
 - 2) In the form of periodic payments.
3. Upon attaining the pension age a participant shall be entitled to request from the bank to transfer the amount of the funded pension deposit or some portion of it to the insurance company for the purposes of concluding an annuity agreement. The bank implements non-cash transfer of the funded pension deposit amount or some portion of it to the insurance company specified by the participant, in the manner and timelines stipulated in the funded pension deposit agreement, however not later than within 10 business days upon receiving of the application from the participant. In case of transferring of the deposit amount or its portion specified in this Clause, no cash payment shall be made to the participant in regard to the transferred amount.
4. Pensions shall be paid by the banks in the manner stipulated by this Law and the agreement on the funded pension deposit. The Central Bank regulations may define mandatory requirements to agreements on the funded pension deposit. The bank shall be responsible for envisaging of such requirements in the agreement.
5. An heir of a deceased participant shall be entitled to request any time from the bank the amount of the funded pension deposit or some portion of it, by submitting the application specified in the deposit agreement and the certificate of inheritance. The bank shall be obligated to return the amount of the funded pension deposit or its

remaining portion to the heir of the deceased participant upon the first request made by the latter.

Article 68. Providing of Voluntary Funded Pensions by Voluntary Funded Pension Funds

1. Voluntary pension funds (pension fund managers) may offer only “defined pension contributions” schemes.

2. By making voluntary funded contributions a person acquires shares of the given voluntary pension fund in quantities complying with the contributions done, on the basis of the distribution value of the given fund shares. The acquired shares certify the right of participation of the given participant in the shares of the given fund.

3. A participant of the voluntary pension fund may exchange its shares of the voluntary pension fund only with another voluntary pension fund shares. A pension fund participant shall be entitled to exchange its voluntary pension fund shares (previous pension fund) with the shares of the voluntary pension fund managed by the same or another voluntary pension fund manager (new pension fund), by submitting an application to the previous pension fund manager. The previous pension fund manager shall, jointly with the custodian, organize redemption of shares belonging to the participant and transfer of funds to the new pension fund, in the manner and within the timelines prescribed by the fund rules, however no later than within 10 business days upon receiving of the application from the participant.

4. In case of exchange of shares, the shares of the previous pension fund shall be redeemed and new pension fund shares acquired in quantities equal to the redemption amount. In case of exchange of shares the prices of redemption (buying back) and distribution of shares recorded as of the same day are taken as a ground, in consideration of requirements established by Clauses 13; 14 and 15 of this Article; Article 29 and Article 32, Clause 5 of the Law of the Republic of Armenia “On Investment Funds”.

5. In the event redemption (buying back) of the previous pension fund shares subject to exchange as prescribed by Clause 3 of this Article is suspended, the exchange of shares shall be implemented immediately upon lifting of the ban on redemption (buying back) of shares. In the event distribution of shares subject to acquisition as a result of exchange of shares is suspended, the manager shall turn down the application prescribed in Clause 3 of this Article, by notifying the participant about the reasons for turning down the application.

Redemption (buying back) of the previous pension fund shares subject to exchange defined in this Clause may be suspended only in cases specified in Article 40, Clause 10 of this Law.

6. Voluntary pension fund rules may define the minimum timeline for participation of the participant in the given fund and only upon expiration of such a timeline the participant

may request exchange (next exchange) of the acquired shares, in accordance with Clause 3 of this Article. The timeline prescribed in this Clause should not exceed 2 years.

7. For the purposes of receiving pensions from the voluntary pension fund, as well as in cases specified in the Clause 10 of this Article, the participant should submit an application to the respective pension fund manager. The application form and the information contained therein shall be defined by the pension fund rules.
8. Pensions by the voluntary pension funds shall be paid in the manner prescribed by this Law, the Central Bank regulations and voluntary pension fund rules.
9. A participant may receive the pension from the voluntary pension fund in the following forms:
 - 1) Lump-sum payment;
 - 2) Program withdrawal.
10. Upon reaching the pension age, a participant shall be entitled to request redemption of the voluntary pension fund shares and transfer of the funds or the part thereof generated as a result of redemption to the insurance company, for the purposes of concluding an annuity agreement. The given pension fund custodian shall organize redemption of shares belonging to the participant and transfer of the funds or the part thereof gained as a result of redemption to the insurance company, within 10 business days upon receiving the application specified in Clause 7 of this Article. In the event of redemption and transfer of the funds or the part thereof generated as a result of redemption to the insurance company, the pension fund shall make no payment to the participant as of the amount transferred to the insurance company.
11. In case of death of the pension fund participant, the heir shall be entitled to submit an application to the pension fund manager on redemption of the inherited pension fund shares and receiving of the funds generated as a result of redemption in the form of a lump-sum payment. The heir shall be obligated to attach the copy of the inheritance certificate to the application. The application form and the procedure of submission shall be defined by the pension fund rules.
12. After submission of the application defined in Clause 11 of this Article, the pension fund custodian shall be obligated to implement redemption of the pension fund shares and make payment of the funds generated as a result of redemption in the form of a lump sum payment within 10 business days upon receipt of the application.
13. The pension fund manager shall, for the voluntary pension fund management, charge honorarium from the voluntary pension fund assets in the amount and manner defined by the rules of the given pension fund.
14. The maximum amount of payments made at the expense of the voluntary pension fund assets (including, honorarium of the manager defined in Clause 13 of this Article and also the honorarium of the custodian), as well as directions of expenses made at the expense of the fund assets for the management of the given voluntary pension fund and the maximum amounts thereof shall be defined by the Central Bank in agreement with the state authorized body of the financial sector of the Government of the Republic of Armenia.
15. The pension fund rules, except for the case of redemption of the pension fund shares for the purposes of receiving of pension, may define fees for redemption of pension fund shares, which should be directly stipulated by the rules of the given pension fund, and

may not exceed the size approved jointly by the Central Bank and the state authorized body of the financial sector of the Government of the Republic of Armenia.

Article 69. Personified Record Keeping in the “Defined Pension Contributions” Voluntary Funded Pension Scheme

1. Voluntary funded pension funds shall be obligated to administer personified record keeping for each beneficiary /participant according to principles of Article 5, Clauses 1; 3 and 4 of the Law of the Republic of Armenia “On Income Tax and Funded Contribution Personified Record Keeping.”
 2. A pension account shall be opened for each participant of a “defined pension contributions” scheme to record the shares of the given pension fund belonging to a participant.
 3. Voluntary funded pension fund shall be obligated to provide on regular basis, but no less than at least once every year, a statement to a participant about his/her pension account of the previous calendar year in the manner and within the timelines specified by the rules of the pension fund.
4. The annual information defined in Clause 3 of this Article should be submitted to the participant on a hard copy, provided the participant has stated no other preferable means.
 5. The annual data covering the previous year defined in Clause 3 of this Article should be submitted to the participant free of charge no later than April 15 of the following year.

Article 70. Principles of Investment of Voluntary Funded Pension Assets

1. The voluntary funded pension assets may be invested exclusively according to requirements of this Law and legal acts adopted in compliance with this Law and the fund rules.
2. For the purposes of maximizing efficiency of investments in favor of participants of voluntary funded component of “defined pension contributions” scheme, investments should be based on the following principles:
 - 1) security and profitability of voluntary funded pension assets;
 - 2) diversification of risks;
 - 3) ensuring adequate liquidity.

3. Investment of voluntary funded pension assets in “defined pension contributions” scheme for purposes and principles other than those specified in Clauses 1 and 2 of this Article shall be regarded as a violation of obligations by a pension fund manager.
4. Pension Fund Manger shall be obligated to launch 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 the risk management system shall be defined by the Central Bank regulation.

Article 71. Permissible Investments of Voluntary Pension Fund Assets

1. Voluntary pension fund assets may be invested in the Republic of Armenia and abroad.
2. Voluntary pension fund assets 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 insolvency (bankruptcy);
 - 2) securities issued or fully guaranteed by the Republic of Armenia, the Central Bank and the communities of the Republic of Armenia;
 - 3) securities permissible for trading in the regulated markets of the Republic of Armenia;
 - 4) securities issued by investment funds, which are supervised by the Central Bank;
 - 5) derivative tools with the sole purpose of hedging.
3. Voluntary funded pension assets may be invested abroad in:
 - 1) deposits and bank accounts of financial organizations, which are licensed and supervised by the body authorized to supervise the capital market in OECD countries and EU member states;
 - 2) securities issued or fully guaranteed by OECD countries and EU member states and by the central banks of OECD countries and EU member states;
 - 3) securities issued or fully guaranteed by communities in OECD countries and EU member states;
 - 4) securities which are registered by an authorized entity in charge of supervising the capital market in OECD countries and EU member states and are permitted to trade on a regulated market regulated by such an entity;

- 5) securities (units) issued by investment funds registered and supervised by an entity authorized to supervise the capital market in OECD countries and EU member states;
- 6) securities of the Russian Federation, which meet the requirements /criteria defined by the Central Bank;
- 7) derivative securities with the sole purpose of hedging.

The Central Bank may define the list of other countries, where voluntary pension fund assets may be invested.

Article 72. Limitations to Investment of Voluntary Pension Fund Assets

1. Voluntary pension fund assets may be invested in the financial instruments listed in Article 71 of this Law subject to quantity and currency limitations, which are established by the Government of the Republic of Armenia.
2. Voluntary pension fund assets may not be invested in:
 - 1) securities issued by the given pension fund manager or the custodian, as well as persons affiliated to such persons;
 - 2) securities issued by the person conducting the audit of the given pension fund manager or of the custodian;
 - 3) securities issued by persons providing consultation services to the given pension fund manager or the custodian;
 - 4) derivative instruments, except for investments for the sole purpose of hedging;
 - 5) assets which may not be alienated or whose alienation is limited;
 - 6) real estate or other physical assets (art productions, medals, icons, antique property, expensive cars, etc.).
3. Securities incorporated in the voluntary pension fund assets may not be sold out of the regulated market or alienated in any manner to the following persons:
 - 1) given pension fund custodian;
 - 2) given pension fund manager;
 - 3) members of the management board of the given pension fund manager or custodian;
 - 4) persons affiliated to those envisaged in points 1, 2 and 3 of this Clause.
4. Pension fund manager and the custodian may not grant loans to each other or guarantee performance of liabilities.

5. The pension fund assets cannot be pledged or be used as collateral for other liabilities. The requirement stipulated in this Clause does not restrict the right to conclude a repo (reverse repo) transactions with the pension fund shares, provided such transactions are stipulated by the rules (Charter) of the pension fund and such a transaction does not result in violation of limitations envisaged by this Law.

Voluntary pension fund manager may take short-term borrowings for up to 3 months in the amount not exceeding 10% of the given voluntary pension fund assets and provided the requirements in terms of limits prescribed by this Law have not been violated as a result of such a transaction.

6. A voluntary pension fund manager shall be obligated to take steps aimed at bringing the pension fund investments in conformity with requirements of this Law, securing maximum profitability thereof, maintaining and preserving the pension fund assets, provided provisions of Clauses 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 basis for valuation of assets;
 - 2) changes in foreign currency exchange rates;
 - 3) changes in economic and organizational relationships between organizations, in shares of which pension fund assets have been invested;
 - 4) other circumstances beyond the will and control of a pension fund manager.
7. Compliance of investments envisaged in this Law should be completed no longer than within the period of 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.
8. A pension fund manager shall exercise the rights arising from the securities available in the fund assets exclusively in the interests of the participants.

Article 73. Licensing of Voluntary Pension Fund Activities

1. Banks, insurance companies, voluntary funded pension funds (pension fund managers) may offer voluntary funded pension schemes only when licensed by the Central Bank in conformity with Law of the Republic of Armenia “On Banks and Banking Activities”, the Law of the Republic of Armenia “On Insurance and Insurance Activity” and the Law of the Republic of Armenia “On Investment Funds”.

Article 74. Supplementary (Corporate) Pensions Acquired by an Employer

1. Employers may acquire voluntary pension schemes from voluntary pension fund managers or insurance companies aimed at providing supplementary (corporate) pensions to their employees.

2. An employer should avoid discriminatory conduct when providing supplementary funded pensions to employees. Corporate (supplementary) pensions may be offered to all employees of that employer or to the specified occupational category of the given employer (including, depending on the number of years the employee worked for the employer). It shall be prohibited to provide supplementary funded pensions exclusively to the management staff of the employer. Within any occupational category, all employees must be offered equal and uniform conditions for participation.
3. It shall be prohibited for the employer to conclude the agreement specified in Clause 1 of this Article with the insurance company or the pension fund manager affiliated to it.
4. Acquisition of supplementary funded pension scheme to be offered by an employer may be established also by the collective employment agreement.
5. For the purposes of receiving of supplementary (corporate) funded pension voluntary contributions may be made only by the employers or both by employers and the employees.
6. It shall be prohibited to force an employee to participate or continue his/her participation in the voluntary pension scheme acquired by the employer by imposing it as a requirement for working with the given employer. It shall be prohibited to make withholdings or allocations from the salary of an employee or other payments made equal to it in relation to participation in the voluntary funded pension scheme, without having the written consent of the participant.

Article 75. Transfer of Pension Fund Assets Accrued in the Pension Account

A participant of the voluntary funded pension scheme may, before attaining the pension age, use its voluntary funded pension shares in the case and manner established by Article 65, Clause 7 of this Law.

An employee shall acquire the right envisaged in Article 68, Clause 3 upon the following:

- 1) Discontinuing of the labor agreement with the employer;
- 2) Dissolving the respective agreement concluded between the employer and the given pension fund manager;
- 3) Liquidation of the employer.

CHAPTER 14

Liability for Breaches of this Law

Article 76. Liability for Failing or Delaying with the Mandatory 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 defined timelines the participant of the mandatory funded scheme (the person bearing an obligation to make mandatory funded contributions on behalf of such a participant – that is 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 component 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 participates in the mandatory funded component, the fine as provided in Clause 1, paragraph 2 of this Article shall not be applicable with respect to the employer until the tax authority informs the latter about the fact that the person participates in the mandatory funded component.

The above defined fine shall apply in regard to amounts of delayed mandatory funded contributions for the whole overdue period, however not exceeding the period of 365 days.

At the expense of fines charged for failure to make or delaying with the payment of mandatory funded contributions shares of the funded pension fund shall be acquired to which the participant (participants) makes contributions at that given period of time on behalf of whom the mandatory funded contributions were not done or have been done with delays.

2. In case of delaying with payment of funded contributions the tax authority shall with the exception of cases as defined by the Government of the Republic of Armenia within 183 days within the time period defined for payment of funded contributions, file a petition with the court in compliance with the legislation of the Republic of Armenia to recognize the employer as insolvent. Moreover, the tax authority may not decline from filing such a petition until the full payment of overdue funded contributions.

In case of failing to meet the timeline defined for payment of funded contributions, the tax authority shall be entitled to duly file a petition with the court claiming to confiscate the employer's property.

If the overdue funded contributions, as well as the fines counted towards such payments comprise AMD 500.000 (five hundred thousand) and more, the head of the tax authority shall be entitled to, before enforcement of the court ruling and in the manner as defined

by Government of the Republic of Armenia, exercise a lien on the employer's property equaling to the amount of overdue funded contributions and fines counted towards such overdue payments, except for the property which according to law cannot be subject to a lien or the duration of maintenance of which is no longer than 30 (thirty) days.

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

Upon having the respective court ruling the tax authority shall, in the manner as established by Government of the Republic of Armenia, ensure realization of the property under lien.

In case the tax authority fails to secure enforcement of the court ruling within 30 (thirty) 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 concluded in the manner envisaged by civil legislation of the Republic of Armenia between the tax authority and the employer, which should serve as security for payment of overdue funded contributions.

Article 77. Responsibilities of the Pension Fund Manager, the Custodian, the Account Operator and Register of Participants

1. The pension fund manager, the custodian, the account operator and the register of participants must act in good faith, solely and exclusively in the interests of participants. They must perform their duties with prudence, skill, and expertise of a person reasonably familiar with such financial and other matters. In the event they lack internally such expertise, they must engage expert services.
2. The pension fund manager, the custodian, account operator and register of participants shall, in case of delegating part of their functions to another person, continue to bear responsibility for proper and good faith performance of the delegated functions.
3. The Central Bank shall exercise means of liability envisaged in this Chapter with respect to the pension fund manager, the custodian, account operator and register of participants, provided they committed the following:
 - 1) made investments or expenses in violation of requirements of this Law or allowed those to occur;
 - 2) concluded agreements for provision of goods or delivery of services in violation of this

Law;

- 3) failed to perform or non-properly performed the obligations envisaged under agreements on mandatory funded pension fund assets;
- 4) an agreement has been concluded with an affiliated individual or legal entity within the framework of legal relationships limited or prohibited under this Law;
- 5) used funded pension assets or information about them for their own benefit or for the benefit of individuals or legal entities affiliated to them;
- 6) violated the rules for maintenance of personified recordkeeping, 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;
- 7) failed to perform or inadequately performed the instructions issued by the Central Bank according to the procedure established by this Law;
- 8) inaccurate, false or incomplete information has been submitted to the Central Bank for obtaining registration and (or) licensing;
- 9) requirements envisaged by this Law and other regulations adopted on the basis of this Law have been violated.

Article 78. Responsibilities of the Managers of the Pension Fund Manager, the Custodian, the Account Operator and the Register of Participants

1. The managers of pension fund managers, the custodian, the account operators and the registers of participants shall act 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 pension fund managers, custodian, account operators and register of participants shall bear liabilities for the damage caused to the participants as a result of their intentional activities (omissions), in the manner as prescribed by the legislation of the Republic of Armenia. If more than one managers of pension asset manager, custodian, account operators and registers of participants committed the breach, all the persons concerned shall bear a joint liability towards the participants.
3. The responsibility of a managers of pension fund manager, custodian, account operators and registers of participants shall include, however shall not be limited to cases as envisaged in Articles 79 and 82 of this Law.

Article 79. Sanctions for Violation of this Law

1. In the cases specified in Article 77 of this Law, the Central Bank may, within one year after revealing of the violation, impose against the pension fund manager, the custodian,

the register of participants and their managers or account operator the following sanctions:

- 1) warning and instruction (instructions) 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 prevention in future of such violation (hereinafter, warning);
- 2) fine;
- 3) depriving the controlled entity's manager or the respective official from the qualification certificate;
- 4) nullification of activity permission.

In case of committing of a violation, only one liability may be imposed, except for the case when warning is applied alongside with imposition of a fine.

2. The imposition of the sanctions specified in this Article shall not exempt the pension asset manager, custodian and register of participants and their managers from performing the obligations set forth by the Law, other legal acts and contracts.
3. The Central Bank shall publicise in its web site the decision on the imposition of a sanction (sanctions) – stipulated in this Article - against the pension asset manager, the custodian and register of participants and their managers.

Article 80. A Warning

1. By a warning the committed violation shall be recorded and the person having committed the violation is notified about the inadmissibility of the violation.
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 appropriate 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 pension asset manager, account operator, custodian, and register of participants. 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 by Article 77 of this Law.

4. In case of violations causing property damage to participants, the Central Bank shall make a decision about issuing a warning and about paying of compensation to participants by the pension fund manager or custodian or account operator or register of participants against damaged caused (including the lost profit) and inform the participants concerned about the decision.

Article 81. The Fine

1. In case of violation of this Law and/or other regulations adopted on the basis of this Law, in case the violations and/or the causes of violations have not been eliminated or cannot be eliminated upon conducting oversight measures (such as a meeting, correspondence and explanatory works) aimed at correcting the situation created with the person having committed the violation and/or issuing of a warning against the said person, the chairman of the Central Bank shall be entitled to take a decision on imposition of a fine against the breaching entity.
2. In case of violations that do not cause property damage to participants but nonetheless the reporting requirements have been violated, 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 10, Clause 6 and Article 18, Clause 6 of this Law.

When determining the size of the fine the entity in charge of applying the fine, shall take into account the following:

- 1) size of the fine, which was previously applied to persons having committed a similar violation;
 - 2) nature of violation (malice, carelessness or negligence);
 - 3) fact of damage caused to other persons and respective loss as a result of the violation;
 - 4) level of undue enrichment, considering the compensations provided to other persons;
 - 5) whether the same person committed the same or other violation(s) in the past and was called to account for such violation(s), as well as the amount and nature of the previous liability;
 - 6) extent of the need to exclude similar violations committed by the same person or other persons in future.
3. In case of violation of requirements set forth by Article 10, Clause 6, paragraphs 1 and 3 of this Law, a fine shall be charged from the account operator or the manager of the

account operator having committed the violation in the amount of 3000-fold of minimum salary for each case concerned.

In case of violation of requirements offset forth by Article 10, Clause 6, paragraph 2 of this Law, a fine shall be charged from the account operator or the manager of the account operator having committed the violation in the amount of 500-fold of minimum salary for each case concerned.

4. In case of violation of requirements of Article 18, Clause 6 of this Law a fine shall be charged from the register of participants or the manager of the register of participants having committed the violation in the amount of 5000-fold of minimum salary for each case concerned.
5. The fine imposed on pension fund manager, custodian, account operator and the register of participants shall be charged from the assets of the latter (legal entity), except when the account operator is a state entity. In the event the account operator is a state entity, the fine shall be charged from the employee having committed the breach.
6. The fine shall be charged by a court decision upon the claim of the Central Bank, should the pension fund manager, custodian, account operator and the register of participants disagree with the fine imposed or its size.
7. The amount collected in compliance with this Article shall be transferred to the state budget.

Article 82. Revoking of the Qualification Certificate of the Managers of the Register of Participants, Pension Fund Managers and Custodians

1. The Manager of pension fund manager, custodian and the register of participants may be deprived from their qualification certificate upon the decision of the Central Bank, provided the latter:
 - 1) intentionally violated the requirements of the Laws or other legal acts;
 - 2) when acting in an official capacity, has been engaged in unjustified or other activities endangering the interests of participants;
 - 3) has impeded the actions of the Central Bank or its employees when conducting oversight by the latter;
 - 4) has undertaken actions or inaction as a result of which the participant has incurred or could have incurred substantial financial or other losses;
 - 5) when acting in an official capacity, has undertaken actions or has been inactive out of personal interests, which contradicts the rights or lawful interests of participants;

- 6) has acted unfairly or unconscientiously when performing its business obligations during the course of performing its obligations (including obligations undertaken with respect to the pension fund manager, the custodian or the register of participants and the clients thereof);
 - 7) failed to meet the qualification or professional adequacy standards envisaged for the pension fund manager, the custodian and the register of participants as stipulated by the regulations of the Central Bank;
 - 8) failed to follow or has non-duly performed the instructions issued by 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 of the given person provided by this Law, other laws, legal acts and internal legal acts of the monitored entity shall be terminated.

Article 83. Revocation of the Permission of the Pension Fund Manager and Prohibiting the Custodian from Performing Activities of the Pension Fund Custody

1. A permission of the pension fund manager may be recognized as invalid or the custodian may be prohibited from performing the pension fund custody (hereinafter, revoking the permission) in case of presence of grounds as envisaged in Article 77, Clause 3, sub-clause 8 of this Law, other cases provided by law, as well as in case the means of liability defined in Article 81 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 eliminate the causes of the violation concerned within the timeline set by the Central Bank or has failed to take measures aimed at eliminating thereof.
2. The Central Bank shall be entitled to revoke the permission issued to the pension fund manager if it becomes evident that false and inaccurate data have been submitted for obtaining of permission.
3. The permission of a pension fund manager or custodian shall be revoked by the decision of the Board of the Central Bank. An activity permission of a pension fund manager or Custodian shall be revoked exclusively in accordance with the procedure stipulated by

this Law and the Law of the Republic of Armenia “On Investment Funds”. The provisions of this Law and the Law of the Republic of Armenia “On Investment Funds” shall prevail, should there be other provisions established by other laws on revocation of permission.

4. Should the custodian commit the violations stipulated in this Article, the Central Bank is entitled to instruct the pension fund manager to dissolve the contract concluded with the custodian within a reasonable period of time.

Article 84. Publicizing a Decision on Revocation of a Pension Fund Manager’s and the Custodian’s Permission and its Legal Consequences

1. The decision of the Board of the Central Bank on revocation of activity permission as provided for by Article 83 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 permission, the pension fund manager or the custodian shall be deprived of the right to engage in providing any activities to the funded pension component, for the duration specified in the decision but not less than for 10 (ten) years, except for transactions directed at fulfilling the undertaken obligations, realising the assets and the final allocation thereof in regard to the given service. The custodian shall be obligated to continue performing its obligations as envisaged by this Law, the legal acts adopted on the basis of the law and the rules (charter) of the pension fund until concluding an agreement with the new custodian of the pension fund and transferring to it the pension fund assets.
3. A copy of the decision of the Central Bank to revoke permission shall be submitted to the pension fund manager and the custodian within three days after its adoption. In case of appealing of the decision of the Board of the Central Bank on revocation of a permission the court does not suspend the action of that decision during the entire court proceeding.

Article 85. Settlement of Disputes

1. Any complaint or inquiry by a participant or a beneficiary concerning the pension account under this Law shall be made in writing to the tax authority, which must consider such complaints and inquiries within a maximum of 30 (thirty) days of receipt thereof and must inform the participant or beneficiary of its decision and of the grounds for reaching the decision in writing or within 3 business days upon receipt of the inquiry forward it to the authorized body.
2. The participant or the beneficiary may seek settlement of the dispute by applying the case to the financial mediator irrespective of the fact of submitting the inquiry or the complaint to the tax authority as envisaged by Clause 1 of this Article, on grounds and in

the manner envisaged by the Law of the Republic of Armenia “On the Mediator of the Financial System.”

3. In cases where the register of participants has transferred funds from a participant’s pension account to an insurance company for purchase of an annuity, any dispute arising from such a transaction shall be settled in the following manner: 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 a complaint within 10 (ten) days of receipt and must advise the participant or beneficiary of its decision and of the grounds for the decision in writing. The participant or his/her proxy shall be permitted 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, h/she may pursue all available legal remedies under the Law of the Republic of Armenia “On Insurance and Insurance Activity”.

CHAPTER 15

FINAL PROVISIONS

Article 86. Final Provisions

1. This Law shall enter into effect on the tenth day upon its publication, with the exception of the obligation to make mandatory funded contributions as envisaged in this Law.
2. The provisions herein about the obligation to make mandatory funded contributions shall become effective as of January 1, 2014.
3. Participants of mandatory funded component should make selection of the pension fund and the pension fund manager prescribed by this Law; otherwise the selection shall be done in the manner prescribed by Article 10, Clauses 1 and 2 and Article 39 of this Law.

Article 87. Transitional Provisions

1. The provisions on changing of mandatory pension funds, as well as inheriting of pension fund shares as envisaged in this Law shall enter into force on January 1, 2015.
4. Funded pension assets as defined in this Law may be withdrawn from the funded pension component (including in the form of pension) starting from January 1, 2015.
3. Functions of a custodian shall, before adopting of a relevant decision by Government of the Republic of Armenia, be implemented by the register of participants. During the

period specified in this Clause, the pension fund manager's bank account may be used upon the consent of the register of participants.