

Adopted on May 29, 2002.

**LAW OF THE REPUBLIC OF ARMENIA**  
**ON CREDIT ORGANIZATIONS**

**CHAPTER I**  
**GENERAL PROVISIONS**

**Article 1. Subject of Regulation of this Law**

This Law regulates the procedure for and terms of licensing, activity regulation, and supervision of the activity of credit organizations, including credit unions, savings unions, leasing and factoring organizations and other credit organizations, as well as the procedure for changing the type of activity of banks operating in the Republic of Armenia.

This law does not apply to banks (except for the cases prescribed by Chapter 6 of this law), insurance companies, persons undertaking specialised activity in the securities market, pension funds, investment firms, pawnshops, agricultural credit clubs, the activities of which are regulated by other laws and legal acts.

**Article 2. Legal Regulation of Activities of Credit Organizations**

1. The activities of credit organizations shall be regulated by the Constitution of the Republic of Armenia, Civil Code of the Republic of Armenia, this Law, other laws of the Republic of Armenia, international agreements of the Republic of Armenia and in the cases prescribed by this law, by the normative legal acts of the Central Bank of the Republic of Armenia (hereinafter, “the Central Bank”).

2. The procedure for insolvency and bankruptcy of credit organizations shall be established by the Law of RoA “On Bankruptcy of Banks and Credit Organisations.”

The grounds and procedure for the liquidation of the credit organisations shall be established by Chapter 9 of the Law of RoA “On Banks and Banking.”

3. In the event there are other norms established by the International Agreements of the Republic of Armenia than prescribed by this Law, the norms in International Agreements shall be applied.

**Article 3. Descriptions for the Credit Organization and its Activities**

1. A credit organization is a legal entity chartered in the manner defined by this Law, which has the right to carry out the types of activities, defined by this law.

2. The activity of a credit organization shall be specified as the business activity of borrowing and (or) concluding similar transactions and (or) lending or making other investments defined by this law.  
As per the laws of the Republic of Armenia regulating the activities of credit organizations similar transactions shall also include the public issuance (except for securities issued by investment funds) of investment (bonds) and payment securities or concluding such transactions that give rise to monetary liabilities for the credit organization but are not related to sale of goods, delivery of services or works to the creditor by the credit organization.
3. With the exception of banks and credit organizations, no other person in the Republic of Armenia shall be allowed to conduct any of the activities stipulated by Paragraph 2 of this Article.
4. A credit organization may be established with the structural-legal status of a limited liability company, joint-stock company or commercial or non-commercial co-operative.
5. The Central Bank may set certain limitations on the activities of the credit organizations permitting or restricting part of the operations prescribed by Article 8 of this law. While, these limitations may be set on the attraction of funds by credit organizations, the size of the funds attracted, allocation of funds, the size of funds allocated, as well as on the number of persons from whom the credit organization may attract and (or) among whom the credit organization may allocate funds. The limitations prescribed by this Paragraph must be the same for the credit organizations of the same type (group).
6. As per this law and other laws and normative legal acts of the Republic of Armenia regulating the activities of the credit organizations the types (groups) of credit organizations are:
  - a) credit unions, that attract funds from their members and lend it to them. While in cases prescribed by the normative legal acts of the Central Bank they may also attract funds from other persons or lend it to the latter;
  - b) savings unions that attract funds from their members and lend it to them;
  - c) leasing companies (organizations), the main activities of which is to conclude financial lease transactions according to the procedure and terms set by Paragraph 6 of Chapter 35 of the Civil Code of the Republic of Armenia;
  - d) factoring organizations the main activity of which is concluding financial (factoring) transactions according to the procedure and terms set by Chapter 48 of the Civil Code of the Republic of Armenia;
  - e) other credit organizations, the main activity of which is to undertake the activities defined by Paragraph 2 of Article 3 of this law.

7. Conducting the activities defined by this law without a license for a credit organization shall give rise to the responsibility defined by the legislation of the Republic of Armenia.

Article 4. Application of the Term “Credit Organization” 1. The term “credit organization” may exceptionally be applied in the name of chartered credit organizations. Persons that are not a chartered credit organization shall be prohibited from using the term “credit organization” or derivatives of this term in advertisements, public offers or in support of such advertising agents.

2. Credit organizations shall have no right to use in their trademark such disorienting words, which may give room for misassumption about the financial conditions or legal status of the respective credit organization.

## **CHAPTER II**

### **STATE REGISTRATION AND LICENSING OF CREDIT ORGANIZATIONS**

#### **Article 5. State Registration and Licensing of a Credit Organization**

1. For the state registration and licensing of a credit organization, the founders shall submit to the Central Bank:
  - a) an application for registration and licensing;
  - b) six copies of the charter of the credit organization approved by the founder’s meeting;
  - c) the resolution of the founders’ meeting of the credit organization on the appointment of the management of the organization;
  - d) a reference on the background/experience of the management prepared in the manner defined by the Central Bank;
  - e) a statement by participants with significant interest in the statutory fund of the credit organization prepared in the manner defined by the Central Bank about the absence of grounds prescribed by Paragraph 2 of Article 10 of this law;
  - f) The regulation on the activities of the credit organization, which shall be approved by the its supreme management body and shall include the type, scope, procedure on activities, methods, procedures for attraction and allocation of funds, and other provisions defined by the Central Bank that are not in conflict with the legislation of the Republic of Armenia. The Central Bank may approve exemplary regulations on activities, by the types pf activities, for various types (groups) of credit organizations on the basis of the legal normative acts endorsed by it.
2. Within one month’s period after the receipt of the documents and information specified in Paragraph 1 of this Article, the Central Bank shall register and charter the credit organization or reject its registration and licensing. A credit

organization shall be registered and licensed if the following requirements are met:

- a) the statutory capital of the credit organization has been fully paid, which shall be paid to the cumulative account opened either in the Central Bank or another bank operating in the territory of the Republic of Armenia;
- b) the place of activities of the credit organization meets the technical refurbishment requirements defined by normative legal acts of the Central Bank;
- c) Management of the credit organization comply with the qualifications and professional aptitude criteria required by the Central Bank;
- d) The persons with significant participation in the credit organization have gained the consent of the Central Bank.

3. Within three days' period after making the decision on the registration and licensing, the Central Bank shall issue the credit organization a registration certificate and a license with the sending of a notice about that to the state registry of the Republic of Armenia to make a relevant recording about the registration of the credit organization.

4. Upon registration in the Central Bank the credit organization shall acquire the status of a legal entity and shall be deemed licensed.

5. The Central Bank shall decline the registration and licensing of a credit organization, if:

- a) false and unreliable information was submitted;
- b) documents submitted were deficient, incomplete or contradicted the laws and other legal acts of the Republic of Armenia;
- c) the requirements set out in Paragraph 2 of this Article were not met.

6. In the event the application for registration and licensing is not officially declined within one month, the credit organization shall be deemed as registered and licensed.

7. Those legal persons, who by at the time of the entry of this law into force have undertaken activities of a credit organisation prescribed by this law as their main activity, may within three months' period after the date mentioned in Article 23 of this law, in the manner defined by this law apply to the Central Bank to reregister as a credit organisation.

8. The Central Bank shall reregister and license the mentioned person, if the requirements and conditions set by Article 5 of this law are followed, except for the condition set under the sub-paragraph "a" of Paragraph 2 of Article 5 of this law. There shall be no fee or duty charged for the re-registration and licensing prescribed by this Article.

## **Article 6. License of a Credit Organization**

1. The license for a credit organization shall have an unlimited period of effectiveness.
2. The license of a credit organization may not be given to other persons for use or alienated or put into pledge.
3. A credit organization license shall have the license number, date of issue, the full corporate name of the credit organization, the state registration number, the permitted operations. A uniform format of the license for the credit organization shall be defined by the Central Bank.

4. The Central Bank shall maintain a registration book for licenses issued, which shall be overall public. The format of the registry book, the maintenance procedure for the book, as well as the information contained in it shall be established by the Central Bank.

#### **Article 7. Registration of Branches and Representative Offices**

1. The credit organization may establish branches and representative offices in the territory of the Republic of Armenia and foreign countries in the manner, set by this Law and the normative legal acts of the Central Bank; these may start operation upon their registration in the Central Bank. Branches and representative offices of credit organizations may be established in foreign countries in conformity with the legislation of the host country and(or) international agreements of the Republic of Armenia.
2. The procedure for the registration of branches and representative offices, and the information and the list of data and documents required for registration shall be defined by the normative legal acts of the Central Bank.
3. An application for registration of a branch or representative office shall be accepted or declined by the Board of the Central Bank within a one-month term. In case the application is accepted the Central Bank shall register the branch or the representative office and issue a registration certificate. In the event of declining the application, the Central Bank shall advise the credit organization about the bases for rejection within five days.
4. The Central Bank shall decline an application for registration of a branch or representative office, if:
  - a) false and unreliable information was submitted;
  - b) the documents submitted were deficient, incomplete or contradicted the laws and other legal acts of the Republic of Armenia;
  - c) the credit organization has violated at least one of the main prudential standards set by the Central Bank during at the moment of applying or during the review of the application.
5. The branch or the representative office of the credit organization shall be withdrawn from the registration by the Central Bank:
  - a) on the basis of the application of the credit organization, within the period of one week after the application has been presented;
  - b) in the case of the liquidation of the credit organization.

### **CHAPTER III REGULATION AND SUPERVISION OF ACTIVITIES OF CREDIT ORGANIZATIONS**

#### **Article 8. Financial Operations**

1. On the basis of its license prescribed by this law the credit organization may conduct the following financial operations or a part thereof:
  - a) attract borrowings and (or) conclude similar type of transactions,
  - b) extend credits, loans, provide debt financing or commercial transaction financing, factoring;
  - c) provide guarantees;
  - d) issue, buy (discount), sell securities, traveler's checks, cards and other instruments and perform similar other transactions;
  - e) provide services of a financial agent (representative), manage other persons' investments, conduct trust (fiduciary) management, conduct specialized activity in the market of T-Bills (dealer, broker, agent, sub-depository);
  - f) buy, sell and manage bank bullion (standardized) of precious metals and coins;
  - g) buy and sell foreign currency, including concluded futures, options and similar other transactions in dram and foreign currency;
  - h) undertake financial leasing,
  - i) safe-keep precious metals, gems, jewelry, securities, documents and other valuables;
  - j) provide financial consulting;
  - ja) create and service an information system for customer creditworthiness, and undertake debt repayment activity;
  - jb) undertake operations specific to credit organizations in international practice with the consent of the Central Bank.
2. The credit organization may exclusively extend business credits or loans and consumer credits and lending in the manner and under the conditions defined by the Central Bank. As per the legislation regulating the activity of credit organizations, extending business credits or loans, is defined as concluding and undertaking of such transactions, whereby the debtor is a legal entity or a sole entrepreneur, who intends to use the proceeds from the transaction for the current or future entrepreneurial activity exceptionally made or to be made by himself. Consumer credit granting or lending is defined as concluding and undertaking of such a transaction, whereby the debtor intends to use the proceeds from that transaction exceptionally for consumer purposes, which are not related to the entrepreneurial activity of the debtor.
3. The credit organization shall have the right to attract borrowings and (or) conclude similar transactions with exceptionally the legal entities, sole entrepreneurs and its members; the Central Bank may set the limitations defined by Paragraph 5 of Article 3 of this law.
4. The credit organization shall be prohibited from undertaking production, commercial or other activity that is subject to licensing.

**Article 9. Managers of Credit Organizations, their Professional Criteria and Procedure for Qualification**

1. The managers of credit organizations are the Chairman of the Board of the credit organization (board of directors or observers), his/her deputy and Members of the Board, the Executive Director, his/her deputy, the Chairman of the Operating Committee,

his/her deputy, Members of the Operating Committee, Chief Accountant, his/her deputy, the Chairman of the **Steering Committee**, his/her deputy and Members of the **Steering Committee**.

2. The following may not be managers of a credit organization:

- a) people who have been convicted of an intentional crime;
- b) people who have been deprived of the right to hold positions in financial, banking, tax, customs, commercial, economic, and legal sectors by a court decision;
- c) people who have been recognized as bankrupt and having outstanding (non forgiven) liabilities;
- d) persons, whose qualification or professional competencies do not meet the professional or qualification criteria defined by the Central Bank;
- e) persons, who are involved as suspects, accused or defendants in a criminal case;
- f) persons, who are recognized as non-capable or with limited capability as defined by the legislation of the Republic of Armenia.

3. The criteria and procedure for the compliance of qualifications, professional aptitude of the managers of credit organizations (except for the managers of the structural subdivisions) shall be defined by the Central Bank.

4. A person may work as a manager of the credit organization after the moment of the registration in the Central Bank To be registered in the Central Bank the person must have a qualification, professional compliance certificate. The registration prescribed by this Paragraph shall be made within 5 days starting from the date of applying.

#### **Article 10. Limitations to Acquiring a Significant Participation in the Statutory Capital of Credit Organizations**

1. A person or affiliated persons thereto may acquire a significant participation in the statutory capital of the credit organization as a result of one or several transactions, only upon the prior consent of the Central Bank.

As per this law and the normative legal acts adopted by the Central Bank on the basis of this law a significant participation shall be considered such participation by which the interest of the relevant participant in the statutory capital of the credit organization exceeds 10% of the statutory capital.

The list and format of documents and information to be submitted to the Central Bank by a person or affiliated persons with the motion of the credit organization for acquiring the prior consent of the Central Bank for the acquisition of a significant participation in the statutory capital of the credit organization shall be defined by the Central Bank.

Upon receipt of all the documents required by this Paragraph and other normative legal acts of the Central Bank, the Central Bank shall review them within one month period. The period of one month required for the clarification of certain facts required by the Central Bank may be suspended by the decision of the Board of the Central Bank, but not longer than for three months period. In the event the application is not declined by the Central Bank within one month's period or the person is not advised about the suspension of that one month period, the consent shall be deemed given.

2. The Central Bank shall decline the application by notifying the applicant within ten days' period starting from the moment of the decision on the rejection has been made, if:
- a) the person has been convicted of an intentional crime;
  - b) the person has been recognized as not capable or with limited capability in the manner defined by the legislation of the Republic of Armenia;
  - c) the person has been deprived of the right to hold positions in the financial, banking, tax, customs, commercial, economic, legal sectors by a legally effective verdict;
  - d) the person has been recognized as bankrupt and has outstanding (non forgiven) liabilities;
  - e) the relevant transaction is targeted at or is leading to or may bring about the restriction of free economic competition;
  - f) the documents were presented with the violations of the format and procedure defined by the Central Bank, or the documents or information presented therein reflected false or unreliable information;
  - g) in the justified opinion of the Central Bank the funds to be paid into the statutory capital or against the alienation of the participation of the credit organization were obtained in criminal or illegal manner.

Without the prior consent of the Central Bank the agreement on the acquisition of a significant participation in the statutory capital of the credit organization shall be annulled.

#### **Article 11. Affiliated and interlinked persons**

Persons shall be considered as affiliated or interlinked as per this law and the normative legal acts of the Central Bank, if their affiliation and (or) interrelationships comply with the provisions of Articles 8 and 39 of the Law of the Republic of Armenia on Banks and Banking.

#### **Article 12. Main Prudential Standards for Credit Organizations**

1. The main prudential standards, defined for the banks under the Law of the Republic of Armenia on Banks and Banking and the normative legal acts of the Central Bank, shall be applicable for credit organizations, save for those prudential standards that have been excluded by the Board of the Central Bank. The main prudential standards established for credit organizations shall define a softer regime of regulation than the one defined for the banks.
2. The main prudential standards shall be mandatory and shall be the same for all the credit organizations of the same type (group), save for those organizations, which operate within the scopes of the limitations defined by this law.
3. The concepts of the main prudential standards shall be set by the Law on Banks and Banking.
4. Margins, procedures (rules) for calculation and the composition of the elements in the calculation of the main prudential standards shall be defined by the Central Bank.



5. In case the Central Bank makes the regime of the main prudential standards more rigorous, those changed standards shall become effective after six months since the day of official promulgation defined by the Central Bank.
6. In case the Central Bank makes the regime of the main prudential standards softer, those standards shall become effective after the Central Bank promulgates them, unless other later period is set by the Central Bank.

**Article 13. Supervision over the Activities of Credit Organizations**

1. The exclusive right to supervise the activity of credit organizations shall belong to the Central Bank. The Central Bank shall conduct that supervision as per the procedure established by itself.
2. The Central Bank staff shall conduct examinations and reviews in credit organizations under the procedures, periods, cases and frequency defined by the Central Bank.

**Article 14. Preventing the Circulation of Funds Acquired in Criminal Manner**

Circulation of criminally acquired funds (money, precious metals and etc.) through any transaction or operation shall be prohibited in the credit organizations. To prevent the circulation of criminally acquired funds, the Central Bank may establish a procedure for undertaking of transactions prescribed by this law, a special procedure and forms for submitting reports by the credit organizations, as well as exercise other authorities prescribed by this law and other legal acts. The Central Bank may require any document or information on the validity of the origination of funds from credit organizations, customers or members of credit organizations. In the event of having doubts about the validity of the origination and circulation of funds, if the respective person does not prove the opposite, the Central Bank shall have the authority to decline any prior consent, consent, approval, registration or any other similar application or motion as set out in this law, as well as to exercise the sanctions prescribed by this law.

## **CHAPTER IV.**

### **SUBMISSION AND DISCLOSURE OF FINANCIAL STATEMENTS, AUDIT REPORTS, INFORMATION, AND AUDITS**

#### **Article 15. Accounting and Financial Statements**

1. The credit organizations shall maintain their accounting in the manner agreed with the Central Bank and the authorized body of the Government of the Republic of Armenia in compliance with the Accounting Standards of the Republic of Armenia.
2. The credit organizations shall prepare, disclose and file with the Central Bank the financial statements prescribed by the laws and other legal acts of the Republic of Armenia, as well as other reports defined by the Central Bank in the manner and terms set by the Central Bank.
3. The provisioning for potential losses of investments in the investment securities of credit organizations and their utilization, the classification of the credits and the receivables and the provisioning for potential losses shall be undertaken for the banks by the procedures defined in compliance with the Laws of the Republic of Armenia on Banks and Banking and the Profit Tax.

#### **Article 16. Audit of Credit Organizations**

1. The activities of the credit organization shall be audited on an annual basis by an independent auditing firm that has the right to undertake audits, which shall be selected by the credit organization.
2. The independent auditing firm's conclusions shall be presented by the credit organization to the Central Bank within a six-month's period after the end of the fiscal year.

#### **Article 17. Disclosure of Audit Reports and Financial Statements**

1. Credit organizations shall be bound to publish their annual financial statements and audit conclusions in the press within six months after the end of the fiscal year.
2. Credit organizations shall be bound to publish their quarterly financial statements by the 15<sup>th</sup> of the month following each quarter.
3. Credit organizations shall regularly publish their performance data in the manner and at the frequency set by the Central Bank.

## **CHAPTER V.**

### **VIOLATIONS OF LEGISLATION AND RESPONSIBILITY MEASURES APPLIED AGAINST THEM**

**Article 18.     *Violations of Legislation***

The Central Bank may apply measures for responsibility against the credit organizations, if:

- a) the credit organization has violated laws and other legal acts in conducting its financial operations;
- b) the credit organization has violated the prudential standards established for credit organizations;
- c) the manner and terms for submitting and disclosing the balance sheet, financial statements and other reports have been violated and (or) these documents contained false data;
- d) the credit organization has failed to carry out the directive of the Central Bank stipulated by sub-paragraph “a)” of Paragraph 1 of Article 19 of this law.

**Article 19.     *Sanctions Applied for Violations of Legislation***

1. In cases stipulated by Article 15 of this law the Central Bank may apply one of the following sanctions against the credit organization:

- a) warning and a directive to eliminate the violations;
- b) fine;
- c) revoking the qualification certificate of the manager of the credit organization;
- d) canceling the effectiveness of the license.

2. Subject to the resolution of the Central Bank also a fine may be applied to the executive manager or chief accountant of the credit organization as an additional measure for responsibility in an amount not exceeding a thousand times of the minimum salary.

3. The application of the sanctions stipulated by this Article shall not imply any release of responsibility of the credit organization defined by laws, other legal acts or contracts.

4. The sanctions defined by this Article in respect of a credit organizations and their managements shall be applied in the cases, on grounds, limits and procedure defined by the law of the Republic of Armenia on Banks and Banking. In addition to these grounds, the license of the credit organization may be cancelled if false data were presented during its registration and licensing.

5. The license of the credit organization shall be canceled by the decision of the Board of the Central Bank. The said resolution shall become effective the moment of its announcement in the mass media.

**CHAPTER VI  
TRANSITIONAL PROVISIONS: CHANGE IN THE TYPE OF ACTIVITY OF  
THE BANK**

**Article 20.     *Possibility for Changing the Type of Activity of the Bank***

The bank may change its type of activity in the manner set by this Law and the legislation of the Republic of Armenia through its re-registration as a credit organization.

**Article 21. *Procedures for Changing the Type of Activity of the Bank***

1. The supreme management body of the bank shall make a decision on changing the bank's type of activity, whereby the program for changing the bank's type of activity shall be approved. Within a week's period after making that decision, the decision and program attached to the motion on changing the bank's type of activity status shall be submitted to the Board of the Central Bank for confirmation.
2. The Board of the Central Bank shall consider the presented documents within a one-month period and make a decision to either approve or reject the motion. In case no decision is taken within the above term, the decision of the Board of the Central Bank on approval shall be deemed as made.
3. The Board of the Central Bank may not approve the above motion, if:
  - a) the submitted documents are in conflict with the legislation of the Republic of Armenia, are not filed in adequate manner and format or are incomplete;
  - b) the change of the bank's type of activity will cause harm to the interests of the bank's depositors.
4. The procedure and manner for submitting the motion on changing the bank's type of activity and the other supporting documents attached to the Board of the Central Bank for approval, as well as the list of other documents justifying and exploring the process of change in the type of activity shall be approved by the Central Bank.

**Article 22. *Legal Implications of Changing the Type of Activity of the Bank***

1. Within the terms defined in the program on changing the bank's type of activity, the bank shall take the measures prescribed under the program, approve the charter of the re-registered legal entity and submit it for re-registration. During the change of the bank's type of activity the Central Bank may set for the bank changing its types of activity a regime of main prudential standards other than the one for banks.
2. The bank shall honor all the obligations assumed under the bank deposit and bank account contracts or transfer them to another bank in accordance with the Civil Code of the Republic of Armenia under the terms defined in the program on changing the bank's types of activity.
3. In the event of transferring to another bank the obligations of the bank assumed under the bank deposit and bank account contracts, the bank shall advise the Central Bank about the name of the bank assuming the obligations prior to the conclusion of the relevant transaction along with submitting all documents related to the transactions of transferring the debt. The Central Bank shall have the right to prohibit the bank from concluding the transaction on transferring the debt based on the financial status of the bank assuming the obligations.
4. Upon re-registration of the bank which is changing its type of activity, the latter shall be considered ceased, and its rights and obligations (except the ones,

- assumed under the bank deposit and bank account contracts) shall be transferred by right of legal succession to the re-registered person and a relevant record shall be made in the bank's registry book on the termination of bank's activity notifying the body that conducts the state registration of legal entities. Under the decision on re-registration of the bank the Board of the Central Bank shall consider the banking license of the bank as invalid.
5. Upon its re-registration, the newly established credit organization shall be considered as chartered for engaging in the relevant activity. No fees or duties shall be charged for re-registration and licensing.

## **CHAPTER VII CONCLUDING PROVISIONS**

### ***Article 23. Concluding Provisions***

1. The activity of credit organizations set by this law shall be subject to licensing within six months after the promulgation of the law.
2. This Law shall enter into force from the moment it is promulgated.

President of the  
Republic of Armenia

R. Kocharyan