

THE REPUBLIC OF ARMENIA
LAW
ON ESTABLISHMENT OF A UNIFIED FINANCIAL
REGULATION AND SUPERVISION FRAMEWORK*

The aim of this Law is to increase the stability of, and enhance public confidence in, the financial system of the Republic of Armenia, and to create conditions necessary for normal development and functioning of the financial system participants.

Article 1. Scope of regulation

This Law shall govern the measures designed to introduce a unified financial regulation and supervision framework in the Republic of Armenia, including measures to be taken to transfer the function of regulation and supervision over other participants of the Armenian financial market to the Central Bank of the Republic of Armenia. This Law shall, therefore, govern the relations arising out in connection with implementation of such measures, and the authorities of the financial system regulator and supervisor.

Article 2. Legislation on establishment of a unified financial regulation and supervision framework

The relations arising out in connection with establishment of a unified financial regulation and supervision framework in the Republic of Armenia shall be governed under this Law, other Republic of Armenia laws governing the activities of the financial market participants and, where provided for under law, other regulations.

Article 3. Main definitions used in the Law

1. This Law shall use the following main definitions:

participants of the financial system – banks, credit organizations, and other parties subject to licensing by the Central Bank, and other participants of the financial market;

other participants of the financial market – the securities market participants, investment companies, investment funds, cumulative pension insurance providers, insurance companies, and pawnshops, which carry out specialized activities;

financial system – an integrity of relations arising out of participation and involvement by the financial market participants;

specialized activities – an activity which the financial market participants carry out as and when provided for under the law;

authorized government body – a body authorized by the Government of the Republic of Armenia to regulate and supervise the activities of insurance service providers and pawnshops pursuant to the Republic of Armenia Law on “Pawnshops and Pawnshop Activities” and the Republic of Armenia Law on “Insurance and Insurance Activities”;

sub-legislative acts – normative, individual, and internal regulations covering the activities of other financial market participants, which were adopted by the Government of the Republic of Armenia, the Securities Commission of the Republic of Armenia (hereinafter ‘the Securities Commission’) and the Authorized Government Body.

2. The definitions established hereunder shall be used for the purpose of this Law and other regulations adopted pursuant thereto, and other legal acts that contain direct reference to the provisions of this Law. Where the scope of regulation of such other laws and regulations relates to the activity of the securities market participants, the meaning of such definitions for enforcement of other laws and regulations can be applied.

Article 4. Purpose of implementation of reforms designed to establish a unified financial regulation and supervision framework

The purpose of implementation of reforms designed to establish a unified financial regulation and supervision framework is to create and operate a unified, independent and effective framework for financial regulation and supervision, to make sure the financial system is stable and normal-functioning, and to protect lawful rights and interests of users of financial services.

* RoAL-242-N, adopted on 08/12/2005, effective since 07/01/2006 (RADB No. 81 (453), 28/12/2005).

Article 5. Regulation and supervision of activities of other financial market participants

1. The function of regulation and supervision over the activities of other participants of the financial market shall be transferred to the Central Bank of the Republic of Armenia (hereinafter ‘the Central Bank’) according to the procedures and terms established under this Law and other regulations adopted pursuant thereto.

2. The functions and authorities of the Central Bank as the financial market regulator and supervisor shall be established under this Law, the Republic of Armenia Law on “The Central Bank”, and other laws governing the activities and specialized activities of the financial market participants.

Article 6. Procedure and terms for transfer of the regulatory and supervisory functions

1. Starting January 1 2006, the Securities Commission shall be liquidated, and all its authorities, including the function of regulation and supervision over activity of self-regulating organizations, reporting issuers and other authorities in the area of securities market regulation shall be totally transferred to the Central Bank on a succession basis. The Board of the Central Bank shall take over the authorities and functions of the Securities Commission and Chairman of the Central Bank shall take over the authorities of Chairman of the Securities Commission, respectively.

2. The Board and Chairman of the Central Bank shall make decisions as provided for under the Republic of Armenia Law on “Securities Market Regulation” according to the procedure established under the Republic of Armenia Law on “Securities Market Regulation”, unless otherwise provided for under the Republic of Armenia Law on ‘The Central Bank’.

3. Starting January 1 2006, the authorities of the Authorized Government Body in respect of licensing, regulation and supervision of insurance service providers and pawnshops shall terminate. All such authorities mentioned herewith shall be totally transferred to the Central Bank on a succession basis.

4. The Central Bank shall, upon entry of this Law into force, take over the function of regulation and supervision over cumulative pension insurance providers, and shall act as the regulator and supervisor thereof.

Article 7. Force of sub-legislative acts governing activities of other financial market participants

All sub-legislative acts, with whatever supplements and changes made thereto, covering regulation, licensing and supervision of activities of other participants of the financial system shall be held in force and legally binding until January 1 2007, unless the Central Bank approves by that time these sub-legislative acts in a new edition, in which case the validity of such regulations will terminate. The Central Bank shall be authorized to make supplements and changes to such sub-legislative acts by the deadline specified herewith in order to ensure smooth operation and activities of the financial system participants.

Article 8. Entry into force

This Law shall enter into force on the 10-th day following the official publication thereof.

Article 9. Transitional provisions

1. As stipulated by the contracts signed with the Securities Commission, the Central Bank shall be a successor to the rights and liabilities which have been arisen before January 1 2006, except for the rights and liabilities arising in respect of labor relations. Starting January 1 2006, the work contracts signed by the Securities Commission shall be deemed as annulled.

2. Before January 1 2006, the Central Bank shall undertake relevant structural changes in order to establish a unified financial system regulation and supervision framework.

3. Before January 1 2006:

- a) the Securities Commission shall transfer to the Central Bank and the Central Bank shall accept from the Securities Commission all documentation relative to the functions of the Commission, including the archives, information, programs and etc. The transfer and acceptance shall be executed by drawing up a record thereupon, which shall be signed by Chairman of the Securities Commission and Chairman of the Central Bank before January 1 2006;
- b) the Authorized Government Body shall transfer to the Central Bank and the Central Bank shall accept from the Authorized Government Body all documentation relative to licensing, regulation and supervision of insurance service providers and pawnshops, including the archives, information, programs and etc. The transfer and acceptance shall be executed by drawing up a record thereupon, which shall be signed by the Head of Administration of the Authorized Government Body and Chairman of the Central Bank before January 1 2006.

The decision on other property owned by the Securities Commission shall be taken by the Government of the Republic of Armenia.

4. The Central Bank shall be empowered to deliver official explications on issues arising out in connection with enforcement of this Law, other respective laws and sub-legislative acts governing the activities of other participants of the financial system.

*Robert Kocharyan,
President of the Republic of Armenia
22 December, 2005, c. Yerevan*