

LAW

OF THE REPUBLIC OF ARMENIA

(Law edited by HO-67-N of 21 June 2014)

Adopted on 22 December 2010

ON FUNDED PENSIONS

The purpose of this Law shall be to create an opportunity for persons having paid social contributions in the course of professional activities in the Republic of Armenia to gain at the pension age additional pension incomes in addition to the state pension, ensuring direct connection between the social contributions paid and the amount of the pension received, as well as enabling persons paying social contributions to have an impact on the amount of the funded pensions by selecting the person who shall manage their accrued funds and the management policy for those funds as prescribed by this Law.

CHAPTER 1

GENERAL PROVISIONS

Article 1. Subject matter of this Law

This Law shall regulate legal relations emerging with respect to the funded component and voluntary pension component, define the concept of social contributions, the framework of those who pay social contributions, the procedure for paying social

contributions, the conditions and procedure for transferring funded allocations by the Republic of Armenia to pension accounts opened in the name of persons having paid social contributions, the functions of the registrar of contributors, the pension fund managers, the pension fund custodian and the account operators, the rights and obligations of contributors of the funded pension component, the maintenance of pension accounts, the investment of funded pension assets, the types of funded pensions and payment thereof, the mechanisms guaranteeing the payment of funded pensions to persons having paid social contributions, the liability for violation of requirements of this Law, the regulatory legal acts and other legal acts adopted based thereon, as well as regulate other relations with regard to funded pensions.

Article 2. Main definitions used in the Law

1. The following main definitions shall be used in this Law:

- (1) **personalised record-keeping** — according to the Law of the Republic of Armenia "On personalised record-keeping of income tax and social contributions";
- (2) **individual entrepreneur** — according to the Law of the Republic of Armenia "On individual entrepreneurs", except for individual entrepreneurs engaged in types of activities included in the list of Annex 1 of the Law of the Republic of Armenia "On licence fees" and paying licence fees;
- (3) **annuity** — according to the Law of the Republic of Armenia "On insurance and insurance activities";
- (4) **salary** — salary and other equivalent payments, as well as contractual income (the list of salaries and other equivalent payments shall be defined by the Government of the Republic of Armenia);
- (5) **insurance company** — according to the Law of the Republic of Armenia "On insurance and insurance activities";

- (6) **employer** — a legal person, institution of a foreign legal person, a branch or a representative office of a foreign legal person, an individual entrepreneur, an institution registered in the State Registry of the Republic of Armenia, a local self-government body, as well as a notary, that actually uses the works (services) of citizens on the basis of employment contracts or civil law contracts on execution of work (provision of services) or as prescribed by law, paying them incomes;
- (7) **excess payment** — an amount which has been credited to the bridge account by a contributor or a tax agent having an obligation to calculate and transfer social contributions for him or her and which exceeds the social contribution liabilities;
- (8) **guarantee fund** — a fund established according to Article 46 of this Law;
- (9) **self-employed person** — a natural person — other than a hired worker, individual entrepreneur and notary — receiving income (except for salary and equivalent income, entrepreneurial income and contractual income) from any activity not prohibited by law (including natural persons producing agricultural products and receiving income from the realisation of agricultural products, natural persons engaged in types of activities included in the list of Annex 1 of the Law of the Republic of Armenia "On licence fees" and paying licence fees, natural persons receiving income on the basis of civil law contracts), as well as an individual entrepreneur engaged in activities included in the list of the Annex 1 of the Law of the Republic of Armenia "On licence fees" and paying licence fees;
- (10) **programme payment** — an amount provided monthly and in the manner prescribed, at the expense of redemption of pension fund units recorded in the pension account opened in the name of a contributor after he or she attains his or her pension age;
- (11) **bridge account** — a sub-account, opened in the unified treasury account of the state authorised state body of the financial sector of the Government of the Republic

of Armenia, to which social contributions shall be credited in order to be transferred to the registry of contributors;

(12) **pension secret** — any information relating to a person's contributions to the funded component or the voluntary pension component which has become known to the employer, authorised state bodies, the Central Bank, registrar of contributors, account operator, pension fund manager or custodian, as well as any information on a person's pension account, allocations made for (for the benefit of) him or her or on voluntary pension contributions which has become known to the person managing the guarantee fund, a person's trade, insurance, bank or work-related secret, as well as any other information on a contributor which the contributor intended to keep secret and of which the employer, authorised state bodies, the Central Bank, registrar of contributors, account operator, pension fund manager, custodian, as well as the person managing the guarantee fund, were aware or should have been aware;

(13) **voluntary pension contributions** — contributions paid for (for the benefit of) a contributor by the contributor and/or another person with the aim to receive voluntary pension;

(14) **voluntary pension** — a pension paid according to the rules prescribed by this Law within the framework of the voluntary pension component;

(15) **pension account** — an account opened with the registrar of contributors in the name of a person paying social contributions where the units of compulsory pension funds acquired at the expense of funded allocations, as well as information on the quantity of the units of a compulsory pension fund, net asset value per unit, funded allocations made to acquire those units, other information prescribed by law or other legal acts, shall be recorded;

(16) **pension age** — age entitling a person to receive an age pension as prescribed by the Law of the Republic of Armenia "On state pensions";

(17) **pension fund** — a fund, the assets of which are generated in accordance with the Law of the Republic of Armenia "On funded pensions" from the compulsory funded allocations made from the State Budget of the Republic of Armenia (compulsory pension fund) or voluntary pension contributions (voluntary pension fund) and from the investment thereof, and the contributors of which are paid (the funds corresponding to the contributor's unit in the fund assets are returned) out of the fund assets in the form of pensions after the contributor has attained the pension age, as well as in other cases prescribed by the Law of the Republic of Armenia "On funded pensions";

(18) **pension fund assets** — aggregate amount of funded allocations and voluntary pension contributions paid to acquire the given pension fund units, of assets acquired at the expense thereof and of incomes generated as a result of management thereof;

(19) **pension fund manager** — a legal person having the right to manage the pension fund in accordance with the Law of the Republic of Armenia "On investment funds";

(20) **the Central Bank** — the Central Bank of the Republic of Armenia;

(21) **funded allocation** — monetary allocation made for (for the benefit of) a person paying social contributions to acquire units of a compulsory pension fund in accordance with the rules prescribed by this Law, which shall be generated from those social contributions and funds allocated from the State Budget in accordance with this Law;

(22) **funded pension** — pension paid in accordance with the rules prescribed by Chapter 11 of this Law within the framework of the funded component;

(23) **account operator** — an organisation defined by the Government of the Republic of Armenia, which shall intermediate for the services provided to contributors by the registrar of contributors;

(24) **basic pension** — according to the Law of the Republic of Armenia "On state pensions";

(25) **public service number** — a number prescribed by the Law of the Republic of Armenia "On public service number";

(26) **tax agent** — according to the Law of the Republic of Armenia "On taxes";

(27) **entrepreneurial income** — annual taxable income to be received in accordance with the Law of the Republic of Armenia "On income tax" from entrepreneurial and notary activities carried out by an individual entrepreneur and notary;

(28) **contributor** — a person having paid social contributions as prescribed by this Law, for (in favour of) whom a funded allocation has been made from the State Budget of the Republic of Armenia or for (in favour of) whom voluntary pension contributions are paid;

(29) **registry of contributors** — an integrated system of data on the persons paying (having paid) social contributions and the units of compulsory pension funds recorded in the pension accounts opened in their name. All the information contained in the registry of contributors shall be the property of the Republic of Armenia;

(30) **registrar of contributors** — a legal person who maintains the registry of the contributors on the basis of the contract concluded with the Government of the Republic of Armenia, as well as performs other functions provided for by this Law and the contract concluded with the Government of the Republic of Armenia;

(31) **notary** — according to the Law of the Republic of Armenia "On notariat";

(32) **custodian** — a person carrying out custody of pension fund assets according to the Law of the Republic of Armenia "On investment funds";

(33) **contractual income** — income (except for entrepreneurial income) received from an employer for performing works (providing services) in accordance with civil law contracts;

(34) "**defined pensions" scheme** — a voluntary pension scheme in case whereof an insurance company promises a definite rate of pension to the contributor; voluntary pension contributions depend on the contract concluded with the insurance company and may be non-regular, and the amount of the pension shall not directly depend on the amount of the voluntary pension contributions paid and the profitability of the investments of such contributions;

(35) "**defined pension contributions" scheme** — a voluntary pension scheme in case whereof voluntary pension contributions paid for contributors are calculated in the amount of a certain percentage of their income or on any other regular basis, and the amount of the pension depends on the voluntary pension contributions paid and on the amount of incomes generated from the investment of such contributions;

(36) **social contributions** — special-purpose contributions paid to the State Budget of the Republic of Armenia in the amount and as prescribed by this Law;

(37) **social contribution liabilities**— an amount of social contributions prescribed by this Law and penalties calculated against them to be credited to the bridge account by a contributor (by a tax agent having an obligation to calculate and transfer social contributions for him or her);

(38) **hired worker** — a person — including a public servant (except for servants of the commanding and non-commanding staff of the republican executive bodies of defence, police, national security of the Republic of Armenia and the system of the Rescue Service of Armenia, servants of the penitentiary system and judicial acts compulsory enforcement officers) — who is in an employment relationship prescribed by law with the employer (including the employer exempted from obligations of a tax agent), as well as a person receiving income (except for an entrepreneurial income) from an employer for performing works (providing services) in accordance with civil law contracts;

(39) **affiliated persons** — according to the Law of the Republic of Armenia "On investment funds".

Other concepts used in this Law shall be applied within the meaning prescribed by the Civil Code of the Republic of Armenia and the Laws of the Republic of Armenia "On investment funds" and "On securities market" unless other meaning of their usage follows from the provisions of this Law.

Article 3. Legislation regulating the funded and voluntary pension components of the pension system

1. The funded and voluntary pension components of the pension system of 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, regulatory legal acts adopted on the basis of this Law, other laws and legal acts.

Article 4. Financing sources for funded pensions

1. Funded pensions shall be financed at the expense of incomes generated from funded allocations made for (for the benefit of) the contributors and from the investment of those allocations.

CHAPTER 2

PERSONS PAYING SOCIAL CONTRIBUTIONS AND THE PROCESS OF PAYING SOCIAL CONTRIBUTIONS

Article 5. Persons paying social contributions

1. The following persons shall pay social contributions in the Republic of Armenia:
 - (1) hired workers, notaries, individual entrepreneurs born on 1 January 1974 and after;
 - (2) hired workers, notaries, individual entrepreneurs born before 1974, where having submitted, as prescribed by this Law, an application prescribed by part 1 of Article 33 of this Law (hereinafter referred to as "application for selection of the pension fund");
 - (3) self-employed persons, regardless of their age, having submitted, as prescribed by this Law, an application for selection of the pension fund or having ever paid social contributions on the basis of point 1 of this part.
2. A person may not review the decision on assuming, on the basis of an application for selection of the pension fund, the obligation to pay social contributions.
3. Foreign nationals and stateless persons having the right to reside (a residence status) within the Republic of Armenia shall pay social contributions on general grounds as prescribed for the citizens of the Republic of Armenia, unless otherwise provided for by international treaties of the Republic of Armenia.
4. A person shall cease paying social contributions where:
 - (1) he or she has attained the pension age and has submitted an application to the tax authority for ceasing to pay social contributions;

(2) the person, in cases provided for by this Law, submits to the registrar of contributors an application for receiving a funded pension.

5. The procedure for submitting to the tax authority the application provided for by point 1 of part 4 of this Article and the application form shall be prescribed by the Government of the Republic of Armenia. Moreover, a hired worker shall submit the application to the tax authority through the offices of the tax agent. In this case the application shall be considered submitted to the tax authority upon its submission to the tax agent.

6. The registrar of contributors shall inform the tax authority of the submission of the application provided for by point 2 of part 4 of this Article, and the tax authority shall, as prescribed by the Government of the Republic of Armenia, inform the employer.

7. The obligation to pay social contributions by the person having attained the pension age or having submitted an application for receiving a funded pension to the registrar of contributors shall cease:

(1) from the 1st of the month following the month of submitting to the tax authority or the registrar of contributors the relevant application, if the contributions are paid from salaries, incomes received from types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance with the Law of the republic of Armenia "On turnover tax";

(2) from 1 January of the year of submitting the relevant application to the tax authority or the registrar of contributors, if the contributions are paid from entrepreneurial incomes.

8. A person shall pay social contributions from the incomes received as a self-employed person on a voluntary basis as prescribed by part 4 of Article 7 of this Law.

Article 6. Object and rate for calculating social contributions

1. The following shall be objects for calculating social contributions:

- (1) salary;
- (2) entrepreneurial income;
- (3) incomes received as a self-employed person.

2. The persons prescribed by point 1 of part 1 of Article 5 of this Law shall, before the attainment of their pension age, pay social contributions in the following amounts:

(1) in case of a salary:

- a. in the amount of 5 per cent of the salary, provided that the monthly amount of the salary does not exceed AMD 500 000,
- b. in the amount of difference between 10 per cent of the salary and AMD 25 000, provided that the monthly amount of the salary exceeds AMD 500 000;

(2) in case of entrepreneurial income (except for cases provided for by point 3 of this part):

- a. in the amount of 5 per cent of the entrepreneurial income, provided that the annual amount of that income does not exceed AMD 6 000 000,
- b. in the amount of difference between 10 per cent of the entrepreneurial income and AMD 300 000, provided that the annual amount of that income exceeds AMD 6 000 000;

(3) in the amount of AMD 5000 monthly from incomes generated from types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation

through turnover tax in accordance with the Law of the republic of Armenia "On turnover tax";

(4) in the amount of 5 per cent of the incomes received as a self-employed person, regardless of the amount of the income.

3. In case social contributions are paid on the basis of an application for selection of the pension fund or a person prescribed by point 1 of part 1 of Article 5 of this Law has attained the pension age (where the person has not submitted the application provided for by part 4 of Article 5 of this Law) the person shall pay social contributions in the following amounts:

(1) in the amount of 5 per cent of the salary, entrepreneurial income (except for cases provided for by point 2 of this part), incomes received as a self-employed person;

(2) in the amount of AMD 5000 monthly from incomes generated from types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance with the Law of the Republic of Armenia "On turnover tax".

4. A person shall pay social contributions in the amount prescribed by part 3 of this Article:

(1) from the salary of the month following the day of submitting the application (of opening the pension account as prescribed by this Law on the basis of the application);

(2) from the salary of the month following the day the person prescribed by point 1 of part 1 of Article 5 of this Law attains the pension age;

(3) from the entrepreneurial income of the year of submitting the application (of opening the pension account as prescribed by this Law on the basis of the application),

of the year the person prescribed by point 1 of part 1 of Article 5 of this Law attains the pension age;

(4) from incomes generated from activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance with the Law of the republic of Armenia "On turnover tax" from the month following the day of submitting the application (of opening the pension account as prescribed by this Law on the basis of the application), the month the person prescribed by point 1 of part 1 of Article 5 of this Law attains the pension age.

5. The social contributions prescribed by point 3 of part 2 and point 2 of part 3 of this Article shall be considered ultimate liabilities as regards social contributions calculated from incomes generated from types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance the Law of the Republic of Armenia "On turnover tax".

6. Social contributions shall not be calculated on and transferred (charged) from the part of a person's monthly gross income in excess of 15 times the amount prescribed by Article 1 of the Law of the Republic of Armenia "On minimum monthly salary" for the reporting month (hereinafter referred to as "maximum monthly threshold of the object for calculating social contributions") or from the part of the annual gross income in excess of the amount prescribed by Article 1 of the Law of the Republic of Armenia "On minimum monthly salary" as for 1 January of the reporting year (hereinafter referred to as "maximum annual threshold of the object for calculating social contributions"). Where a person has several sources of income (receives entrepreneurial income and a salary) the procedure for returning to the contributors the sums exceeding the amount of calculated and transferred (charged)

social contributions prescribed by part 7 of this Article (in case such sums exist) shall be prescribed by the Government of the Republic of Armenia. The monthly gross income is the aggregate amount of the salary and equivalent incomes (calculated by all employers) to be received by a person for the reporting month and the contractual income paid to the person during that reporting month. The annual gross income is the aggregate amount of the entrepreneurial income of the reporting year to be received by a person, the salary and equivalent incomes (calculated by all employers) calculated for the reporting year (months) and the contractual income paid to the person during that reporting year.

7. The sum of social contributions subject to payment by a person prescribed by part 1 of Article 5 of this Law may not exceed:

(1) monthly:

a. 5 per cent of the gross income, provided that the amount of that income does not exceed AMD 500 000,

b. the difference between 10 per cent of the gross income and AMD 25 000, provided that the amount of that income exceeds AMD 500 000,

c. the difference between 10 per cent of the maximum monthly threshold of the object for calculating social contributions and AMD 25 000, provided that the amount of that income exceeds the maximum monthly threshold of the object for calculating social contributions;

(2) annually:

a. 5 per cent of the gross income, provided that the amount of that income does not exceed AMD 6 000 000,

b. the difference between 10 per cent of the gross income and AMD 25 000, provided that the amount of that income exceeds AMD 6 000 000,

c. the difference between 10 per cent of the maximum annual threshold of the object for calculating social contributions and AMD 300 000, provided that the amount of that income exceeds AMD 6 000 000.

8. The social contributions prescribed by point 3 of part 2 and point 2 of part 3 of this Article shall also be taken into account in the maximum amount of the sum of the social contributions prescribed by part 7 of this Article and subject to payment by a person.

9. Social contributions paid from incomes received as a self-employed person shall not be taken into account in the maximum amount of the sum of the social contributions prescribed by part 7 of this Article and subject to payment by a person.

10. An employer shall — as a tax agent of a hired worker prescribed by part 1 of Article 5 of this Law who is on leave in connection with care of a child under the age of three years — calculate and transfer, at the expense of the employer's funds, social contributions in the name of the hired worker who is on leave in connection with care of a child under the age of three years for the period starting from the month following the day of leave for care until the month (inclusive) the child attains the age of two years, in the amount of AMD 3 000 monthly. Within the meaning of this part, a person who is in an employment relationship exclusively with an employer shall be considered a hired worker.

Article 7. Paying of social contributions

1. The obligation of calculating and transferring (charging) social contributions of the hired workers prescribed by this Law shall rest with the employers as tax agents.

2. Employers shall electronically register the hired workers who are in employment and civil law relations with them with the tax authority within the time limits and in the manner prescribed by law as well as calculate and transfer, as tax agents, the social

contributions within the time limits prescribed for the calculation and transfer of income tax by the Law of the Republic of Armenia "On income tax".

3. Employers shall electronically, within the time limit prescribed by the Law of the Republic of Armenia "On income tax", submit to the tax authority a personalised calculation report.

4. Notaries, individual entrepreneurs, self-employed persons as well as hired workers shall themselves, — within the time limits prescribed for the payment of income tax by the Law of the Republic of Armenia "On income tax"— annually calculate and transfer the social contributions from incomes to be received as a self-employed person.

Where the employers are exempted from the obligations of a tax agent, the hired workers shall themselves, within the time limits prescribed for the employers, calculate and transfer the social contributions.

5. Notaries, individual entrepreneurs and self-employed persons shall electronically, within the time limit prescribed by the Law of the Republic of Armenia "On income tax", submit to the tax authority a personalised calculation report.

The hired workers referred to in the second paragraph of part 4 of this Article shall electronically, for each month and within the time limits prescribed for the employer, submit to the tax authority a simplified personalised calculation report.

6. The relations with regard to submitting to the tax authority the application for registration of hired workers and the personalised calculation report shall be regulated by the Law of the Republic of Armenia "On personalised record-keeping of income tax and social contributions".

7. In case the employers and hired workers referred to in the second paragraph of part 4 of this Article themselves detect inaccuracies in the calculation reports on social contributions submitted for the previous reporting periods, they may, exclusively electronically, submit to the tax authority corrected calculation reports, on the basis of

which recalculation of social contribution liabilities except for penalties calculated for these periods shall be done.

A penalty shall be calculated on a general basis against the additional social contribution liabilities arising as a result of submitting a corrected calculation report.

8. After submitting a calculation report on annual social contributions for the reporting period, notaries, individual entrepreneurs and self-employed persons shall have the right to make corrections to the data reflected in them.

9. During the inspections of persons paying social contributions (employers) carried out by the tax authority or after the end of the inspections no corrections shall be made to the calculation reports on social contributions submitted to the tax authority and relating to periods being inspected or already inspected.

10. In case of bankruptcy of an employer or death of an individual entrepreneur (including one who is considered an employer) the procedure for discharging social contribution liabilities and for transferring the relevant funded allocations to the registrar of contributors shall be prescribed by the Government of the Republic of Armenia.

Article 8. Record-keeping of social contribution liabilities

1. For the purpose of record-keeping of the social contribution liabilities personal account cards shall be opened with the tax authority for tax agents (employers) or persons paying social contributions, in cases prescribed by this Law, themselves. The form and procedure for the maintenance of the personal account card shall be prescribed by the authorised state body of the financial sector of the Republic of Armenia.

2. The social contribution liabilities shall be discharged in chronological order in the amount of the social contribution liabilities arisen earlier; firstly the social

contributions, secondly the penalty, regardless of the purpose of payment of the social contribution liabilities referred to in the payment documents (receipt, payment order).

Social contribution liabilities (except for those arisen as a result of submitting the corrected calculation report) for the given reporting period shall be considered as discharged where the amounts of the social contribution liabilities credited to the bridge account are sufficient for extinguishing the social contributions and penalty for that reporting period.

For the purpose of applying this part the additional liabilities arisen as a result of submitting corrected calculation reports on social contributions shall be placed on record with the date on which the corrected calculation was actually submitted.

3. Excess payments credited to the bridge account shall be subject to return upon the application of tax agents (employers) or persons paying social contributions, in cases prescribed by this Law, themselves within 15 days after the day the application was submitted or shall be taken into account when calculating or paying the following social contributions.

4. Where a tax agent (employer) submits a corrected calculation report, the person who has, during the reporting period, received from the tax agent (employer) income considered an object for calculating social contributions, has been removed from his or her position (the employment or civil law contract concluded with him or her has terminated), and the social contribution liabilities of the person removed from his or her position are recalculated (amended) as a result of the corrected calculation, then the difference occurring as a result of the amendment shall be placed on record as additional liabilities arisen as a result of submitting the corrected calculation report by the employer having submitted the corrected calculation.

CHAPTER 3

MAKING OF FUNDED ALLOCATIONS AND MANAGEMENT OF THE FUNDED COMPONENT

Article 9. Transferring of funded allocations and personalised information to the registrar of contributors

1. The tax authority shall, within a period of at most 10 days following the day of actually receiving the calculation reports on social contributions, process them. In case there are no inaccuracies in the submitted information and the social contributions referred to in the report have been credited to the bridge account, the tax authority shall send a payment order to the treasury for making a funded allocation (transferring the relevant amounts to the registrar of contributors) from the State Budget of the Republic of Armenia for (for the benefit of) the person having paid (paying) social contributions. The amount of the funded allocation shall be generated from social contributions and additional funds allocated from the State Budget in accordance with this Law.

2. For (for the benefit of) the persons prescribed by point 1 of part 1 of Article 5 of this Law, before the attainment of their pension age, funded allocations shall be made in the following amounts:

(1) in the amount of 10 per cent of the monthly gross income: in the aggregate amount of social contributions calculated on and transferred (charged) from the monthly gross income and the relevant funds (AMD 25000 maximum) allocated from the State Budget of the Republic of Armenia with the aim to cover the 10 per cent, but not more than 10 per cent of the maximum monthly threshold of the object for calculating social contributions;

(2) in the amount of 10 per cent of the entrepreneurial income: in the aggregate amount of social contributions calculated on and transferred (charged) from the entrepreneurial income and the relevant funds (AMD 300 000 maximum) allocated from the State Budget of the Republic of Armenia with the aim to cover the 10 per cent, but not more than 10 per cent of the maximum annual threshold of the object for calculating social contributions;

(3) in the amount of AMD 10 000 monthly for types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance with the Law of the republic of Armenia "On turnover tax";

(4) in the amount of social contributions submitted upon the basis of a personalised (simplified) calculation report and calculated on incomes which are not provided for by points 1, 2 and 3 of this part but are considered an object for calculating social contributions.

3. As prescribed by part 1 of Article 5 of this Law a funded allocation shall be made for (for the benefit of) a hired worker who is on leave in connection with care of a child under the age of three years starting from the month following the day of leave for care until the month (inclusive) the child attains the age of two years, in the amount of AMD 8 000 monthly. The provision of funded allocations shall be terminated in case of interruption of the leave in connection with care of a child under the age of three years upon the month it was interrupted. Moreover, within the meaning of this part, a person who is in an employment relationship exclusively with an employer shall be considered a hired worker.

4. In any case, the difference between the social contributions calculated on and transferred (charged) from the incomes of the persons prescribed by point 1 of part 1 of Article 5 of this Law and the amount of the funded allocation being made for (for

the benefit of) those persons may not exceed AMD 25 000 monthly and AMD 300 000 annually.

5. For (for the benefit of) the persons prescribed by point 2 of part 1 of Article 5 of this Law, as well as in cases when the person referred to in part 1 of Article 5 of this Law has attained his or her pension age, and the person has failed to submit the application provided for by part 4 of Article 5 of this Law, the funded allocations shall be made:

(1) in the amount of AMD 5 000 monthly for types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance with the Law of the republic of Armenia "On turnover tax";

(2) in the amount of social contributions submitted upon the basis of the personalised (simplified) calculation and calculated on and transferred (charged) from the salary.

6. The authorised state body of the financial sector of the Republic of Armenia shall transfer through the bridge account funded allocations in the amount referred to in the tax authority's order provided for by part 1 of this Article to the account of the registrar of contributors opened with the Central Bank immediately after receiving the order but not later than the next working day. Moreover, the amount of funded allocations for the given reporting period shall be transferred to the registrar of contributors exclusively in the case when the social contribution liabilities arising on the basis of the personalised (simplified) calculation report have been discharged for that reporting period. No funded allocation shall be made after the term prescribed by part 7 of Article 5 of this Law.

7. The tax authority shall, on the day of sending the order referred to in part 1 of this Article, submit the personalised information on funded allocations to the registrar of contributors.

8. The information submitted to the registrar of contributors by the tax authority shall contain the following data relating to persons having paid (paying) social contributions:

- (1) name and surname, series and number of the identification document;
- (2) public service number or the number of the statement on not having a public service number;
- (3) the amount of the social contributions paid;
- (4) the amount of the funded allocation subject to payment from the State Budget;
- (5) tax identification number of an employer as well as a notary and an individual entrepreneur;
- (6) other information prescribed by the Government of the republic of Armenia.

9. The procedure for correcting the inaccuracies in connection with transferring funded allocations and the information prescribed by part 7 of this Article shall be prescribed by the Government of the Republic of Armenia. Excess funded allocations transferred to the account of the registrar of contributors shall not be returned but shall be taken into account when calculating and paying the following funded allocations for the persons concerned.

10. Person paying social contributions shall have the right to direct the social package sums to paying social contributions. In this case the person paying social contributions shall, as prescribed by the Government of the Republic of Armenia, have the right to receive as a lump-sum the balance available on the account of the social package as of 1 January of the current year as reimbursement for the social contributions paid, but not more than the amount of social contributions calculated on

and transferred from the salary and entrepreneurial income to be received during the previous year.

Article 10. Opening and maintenance of a pension account

1. The registrar of contributors shall open a pension account in the name of a person on the basis of the application for selection of the pension fund submitted by that person or upon receiving for the first time the information prescribed by part 7 of Article 9 of this Law (where a pension account has not been opened in the name of the person on the basis of the application for selection of the pension fund).

2. The registrar of contributors shall immediately inform the tax authority about opening a pension account on the basis of the application for selection of the pension fund, and the tax authority shall inform the employer about it as prescribed by the Government of the Republic of Armenia.

3. The registrar of contributors shall maintain the pension account until the death of the person and — in case at the moment of his or her death there are units recorded in the pension account of the contributor — until these units are transferred to the pension account of the heir as prescribed by law or redeemed as prescribed by law.

Article 11. Acquiring pension fund units at the expense of funded allocations

1. The registrar of contributors shall compare the information prescribed by part 7 of Article 9 of this Law provided by the tax authority with the pension accounts opened with the registrar of contributors and the funds received from the authorised state body of the financial sector of the Republic of Armenia, immediately after which — but not later than within 1 working day after receiving the amount prescribed by part 7

of Article 9 of this Law or, in case of failure of selecting a pension fund, after making the relevant selection — shall:

(1) for the funded allocation made for (for the benefit of) each person, transfer, in a quantity equivalent to the funded allocation, units of the pension fund selected as prescribed by this Law to the pension account opened in the name of the relevant person taking as a ground the placement price for the given fund unit;

(2) according to point 1 of this part, transfer the amount equivalent to the placement price for the transferred units to the account mentioned by the custodian of the relevant pension fund;

(3) submit to each pension fund manager information on the quantity of the relevant pension fund units transferred to pension accounts according to point 1 of this part and on the amount transferred according to point 2 of this part without identifying the persons for whom the transfers were made.

2. The issuance of pension fund units shall be organised by the registrar of contributors according to this Law, regulatory legal acts adopted on the basis thereof, rules of the pension fund and contracts concluded with the pension fund manager and custodian.

3. Restrictions on the quantity of compulsory pension fund units acquired with regard to one person or the amount paid for it may not be prescribed by the rules of the pension fund.

4. The registrar of contributors shall provide the pension fund managers with information on the total sum of funded allocations. The pension fund managers shall be provided with the information without being provided with any other information which would enable them to identify a certain person. The registrar of contributors may not provide the pension fund managers with information other than that provided for by part 7 of Article 19 of this Law.

5. The initial nominal value of the pension fund unit shall be prescribed by the Government of the Republic of Armenia.

6. The Central Bank may prescribe by its regulatory legal acts requirements for the procedure for issuance of pension fund units.

Article 12. Provision of information on pension account

1. The registrar of contributors shall, once a year, free of charge and not later than by 15 April, provide persons with information on the data of the previous calendar year reflected in their pension account except for cases provided for by this Article.

2. The first time, the information referred to in part 1 of this Article shall be submitted to persons at the address referred to in the application for selection of the pension fund, in paper form unless they have chosen another option. The second and subsequent times, the information referred to in part 1 of this Article shall be submitted, according to the person's choice, in either paper or electronic form for which he or she shall submit an application to the registrar of contributors as prescribed by part 7 of this Article.

3. Where the person paying social contributions has failed to submit an application for selection of the pension fund, for the first time the information referred to in part 1 of this Article shall be submitted at the address of that place of residence within the Republic of Armenia which is mentioned in the state registry of population. Where a person paying social contributions has failed to submit an application for selection of the pension fund and is not registered with the state registry of population at an address of a place of residence within the Republic of Armenia (or there is no full address available), the information referred to in part 1 of this Article shall not be provided.

4. Where a person has not chosen a specific method for receiving the information referred to in part 1 of this Article for the second and subsequent times, the information referred to in part 1 of this Article shall not be provided for the second and subsequent times.

5. Where a person has submitted the application prescribed by part 3 of Article 13 of this Law, the information referred to in part 1 of this Article shall not be provided after the submission of the application.

6. The contributor may terminate and restore the receiving of information at his or her own will by submitting an application thereon to the registrar of contributors as prescribed by part 7 of this Article. The person having submitted an application prescribed by part 3 of Article 13 of this Law may restore the receiving of information only after submitting the application prescribed by part 11 of Article 13 of this Law.

7. The form, content and procedure for submitting the information provided for by part 1 of this Article, as well as the procedure for choosing an option of how to receive the information, for terminating the receiving of the information and applying for restoring the receiving of the information, the form and content of the application shall be prescribed by the Government of the Republic of Armenia.

8. The registrar of contributors may — for providing the contributor with the information provided for by part 1 of this Article on his or her pension account in paper form more than once a year, as well as for providing other additional information — charge a fee from the contributor, the amount of which may not exceed the expenditures made for the preparation and provision thereof plus the reasonable profit of the registrar of contributors.

9. The registrar of contributors shall daily provide updated information on his or her website with the content and as prescribed by the regulatory legal acts of the Central Bank.

The registrar of contributors shall ensure that each contributor has the possibility to access free of charge the information on his or her personal pension account via the website of the registrar of contributors. Upon a decision of the Government of the Republic of Armenia such requirements may be prescribed for ensuring such access which are possible to implement by using the software and technical means for identification and confidentiality of information which are currently used in the Republic of Armenia.

The regulatory legal acts of the Central Bank may prescribe the composition, form and procedure for publication of the information published by the registrar of contributors through other means of publication.

Article 13. Status of compulsory pension fund units and restrictions on circulation thereof

1. The compulsory pension fund unit is a nominal security issued for social purposes which shall certify the right of its holder (citizen) to receive funded pension as prescribed by this Law.
2. The state shall acquire units of compulsory pension fund for (for the benefit of) persons paying social contributions, for each person in the amount prescribed by point 1 of part 1 of Article 11 of this Law. The compulsory pension fund units shall, upon the moment the state acquires them, be considered the property of the contributor.
3. Silence (failure to submit an application on relinquishment of the ownership of the compulsory pension fund units) of the contributor shall be considered an expression of will by the contributor to accept ownership of the pension fund units (expression of the will to enjoy his or her right under the contracts concluded and to be concluded by the state for acquiring pension fund units for his or her benefit). The contributor may, at any time, relinquish the ownership of the pension fund units by

submitting a written application to the registrar of contributors. A person may enjoy the right to relinquish the ownership of the pension fund units only once.

4. If a person accepts one compulsory pension fund unit he or she shall be deemed to have accepted all the compulsory pension fund units acquired for him or her as prescribed by law regardless of the date they were issued. Partial acceptance of pension fund units or partial relinquishment of the ownership of pension fund units shall not be permitted.

5. Compulsory pension fund units may be possessed, disposed of and used exclusively for the purposes and as prescribed by this Law. Rights certified by compulsory pension fund units shall not be subject to transferring, except for cases provided for by this Law.

6. In case a contributor submits to the registrar of contributors an application on relinquishment of pension fund units, the pension fund units shall pass on to the state's ownership.

7. In case a contributor submits an application on relinquishment of the ownership of the pension fund units, the state shall continue transferring funded allocations for (for the benefit of) the given person as prescribed by law, and the pension fund units acquired (transferred to the pension account opened in the name of the given person) against these allocations shall be considered the property of the state.

8. In cases provided for by parts 6 and 7 of this Article the state may not select funds and/or exchange pension fund units. For persons who have not selected a pension fund the pension fund shall be selected as prescribed by Article 34 of this Law:

9. The rules of the compulsory pension fund shall define the restrictions and conditions prescribed by this Law on and for possessing, disposing of and using a pension fund unit.

10. The person having submitted an application on relinquishment of the ownership of the compulsory pension fund units shall, as prescribed by this Law, not have the right to select a compulsory pension fund or a fund manager, exchange units, apply for redemption of pension fund units and for receiving the funds generated from the redemption before submitting the application provided for by part 11 of this Article to the registrar of contributors.

11. The person having submitted the application provided for by part 3 of this Law may, at any time, submit an application to the registrar of contributors for accepting the ownership of pension fund units transferred to the pension accounted opened in his or her name, in case of which the application formerly submitted by him or her in accordance with part 3 of this Article shall be considered withdrawn. For the person having submitted the application prescribed by this part the right to ownership of the pension fund units previously acquired by the state for his or her benefit shall be transferred to him or her upon the moment of submitting the application to the registrar of contributors, whereas the right to ownership of the units to be acquired in the future — upon the moment the state acquires them. The person having submitted an application for relinquishment of the ownership of pension fund units may enjoy the right prescribed by this part only once.

12. The contributor shall have the right to apply for redemption of pension fund units and for receiving the funds generated from the redemption only in cases and as prescribed by Chapters 11 and 12 of this Law.

13. The contributor may not do the following with the pension fund unit:

- (1) pledge;
- (2) invest in the authorised capital of a legal person;
- (3) donate or alienate in any other manner, except for cases prescribed by this Law;
- (4) use in a manner other than prescribed by this Law.

14. For the obligations of the contributor the compulsory pension fund units belonging to the contributor may not be confiscated until he or she attains the pension age.

15. In case a person having relinquished the ownership of the pension fund units dies, the pension fund units recorded in the pension account shall be redeemed and the generated funds shall be transferred to the State Budget of the Republic of Armenia.

Article 14. Competence of the tax authority

1. The tax authority shall:

(1) maintain the personalised record-keeping database of the funded component as prescribed by the legislation;

(2) receive the individual calculation reports on social contributions from employers every month and check the accuracy thereof as prescribed by law;

(3) receive the calculation reports on social contributions from notaries, individual entrepreneurs and self-employed persons within the time limits prescribed for income tax by the Law of the Republic of Armenia "On income tax" and check the accuracy thereof;

(4) compare the personalised information received from employers with the personalised record-keeping database every month;

(5) compare the personalised information received from notaries, individual entrepreneurs and self-employed persons with the personalised record-keeping database;

(6) carry out the collection of social contributions made by employers, notaries, individual entrepreneurs and self-employed persons and submit a report on the

collections to the authorised state body of the financial sector of the Government of the Republic of Armenia;

(7) inform the employers, individual entrepreneurs, notaries and self-employed persons about the inaccuracies between the social contributions paid and the information received from them in case such are detected. They shall be obliged to correct the inaccuracies and submit a corrected calculation report as prescribed by the decision of the Government of the Republic of Armenia provided for by part 9 of Article 9 of this Law;

(8) examine complaints on and inaccuracies with regard to social contributions paid by the employers, notaries, individual entrepreneurs and self-employed persons and, where necessary, request submission of corrected calculations;

(9) calculate the amount of funded allocations transferred for the benefit of the contributors on the basis of the calculations received from the employers, notaries, individual entrepreneurs;

(10) submit relevant orders to the authorised state body of the financial sector of the Government of the Republic of Armenia for transferring the amounts (funded allocations) credited to the bridge account to the account of the registrar of contributors opened with the Central Bank;

(11) submit personalised information on the made funded allocations to the registrar of contributors;

(12) reply to the written applications of contributors with regard to social contributions (reports) and funded allocations;

(13) adopt regulatory legal acts and carry out inspections within the scope of its competence;

(14) where requested, submit reports on the personalised record-keeping database of the funded component and its maintenance to the Government of the Republic of

Armenia and the authorised state body of the financial sector of the Government of the Republic of Armenia;

(15) exercise other powers arising from this Law and other laws.

Article 15. Powers of the Central Bank

1. The Central Bank shall:

(1) prescribe preventive requirements, including preventive requirements with regard to market, operational, liquidity and other risks for the pension fund managers;

(2) register the rules of the pension fund;

(3) prescribe the form and the procedure for submission of the reports to be submitted to the contributors by the pension fund managers (in case of voluntary pension funds), as well as those of the reports to be published;

(4) develop and publish public informative materials on the funded component on the basis of the information generated from the reports of the pension fund managers;

(5) exercise control over the activities of pension fund managers, custodians, registrar of contributors and the account operator (within the scope of its competence) to make sure that those activities comply with the requirements of this Law and other regulatory legal acts, prescribe the procedure and the time limits for submission of reports, statements of information, explanations and other similar documents or information to be submitted to the Central Bank upon the request of the Central Bank within the framework of its off-site control;

(6) receive the reports submitted as prescribed by the pension fund managers, custodians and registrar of contributors and analyse them;

- (7) carry out, within the scope of its powers, inspections of the registrar of contributors, account operators, pension fund managers and custodians;
- (8) prescribe the general rules of maintenance of the registry of contributors, including the those of maintenance of the pension accounts, issuance pension fund units in accordance with this Law and other legal acts, as well as those of custody of pension fund assets;
- (9) prescribe the procedure for the activities of the account operators;
- (10) prescribe the form and the procedure for submission of applications to be submitted by the contributors to the registrar of contributors, as well as those for submission of the reports and provision of other information to be submitted by the registrar of contributors to the contributors, except for cases prescribed by part 7 of Article 12 and part 3 of Article 33 of this Law;
- (11) perform other functions arising from this Law and other legal acts.

Article 16. Functions of the registrar of contributors

1. The registrar of contributors — on the basis of this Law, regulatory legal acts adopted on the basis thereof and the contract concluded with the Republic of Armenia — shall:
 - (1) perform functions reserved to the registrar of contributors by this Law and other legal acts;
 - (2) open and maintain the pension accounts of the contributors as prescribed by this Law;
 - (3) in case of opening pension accounts for the persons prescribed by Article 5 of this Law, inform the tax authority thereof;

- (4) should a contributor so wish, ensure confidentiality of the contributor's selection of the pension fund, pension fund manager, as well as confidentiality of the information in his or her account statement. The procedure for ensuring confidentiality referred to in this point shall be prescribed by the registrar of contributors agreeing it with the Government of the Republic of Armenia;
- (5) organise the issuance of pension fund units, their crediting to the pension accounts, redemption of pension fund units of the contributors according to this Law, regulatory legal acts adopted on the basis thereof, rules of the pension fund and the contract concluded with the pension fund manager and custodian;
- (6) transfer the funded allocations from his or her account opened with the Central Bank to the account of the relevant pension fund manager mentioned by the pension fund custodian without identifying the contributors having made the selection;
- (7) provide information to the contributors on the pension accounts as prescribed by Article 12 of this Law;
- (8) organise, jointly with the pension fund custodian upon the application of the contributor and within the time limit prescribed by this Law, the exchange of units of one pension fund with those of another pension fund;
- (9) organise, jointly with the pension fund custodian, the transfer of funds generated as a result of redemption of compulsory pension fund units belonging to a contributor to the insurance company with the aim to conclude an annuity contract in accordance with this Law;
- (10) organise, jointly with the pension fund custodian, the making of lump-sum and programme payments;
- (11) transfer the units kept on the pension account of a deceased contributor on the basis of the will expressed by the heirs and, in case the units have been declared heirless, redeem the pension units and transfer the generated financial means to the State Budget;

(12) submit reports to the Central Bank in accordance with the procedure, content and frequency prescribed by the regulatory legal acts of the Central Bank;

(13) perform other functions arising from this Law, regulatory legal acts adopted on the basis thereof, as well as the contract concluded between the Government of the Republic of Armenia and the registrar of contributors and the rules of the pension fund.

2. In case the registrar of contributors has changed or its activities have been terminated, the registry of contributors shall be transferred to another person maintaining a registry of contributors or the Government of the Republic of Armenia. The procedure for, form of and time limits for transferring the registry of contributors shall be prescribed by the Government of the Republic of Armenia.

Article 17. Functions of the account operator

1. As prescribed by this Law and the regulatory legal acts adopted on the basis thereof the account operator shall intermediate between the contributors and the registrar of contributors for the provision of the services by the latter, including for:

(1) opening a pension account;

(2) making amendments to the personal data of the contributor;

(3) selecting and/or changing the fund by the contributor, exchanging pension fund units, receiving other documents or information and transferring them to the registrar of contributors;

(4) receiving information on the pension account of the contributor from the registrar of contributors and transferring them to the contributor.

2. The account operator shall ensure confidentiality of the information on contributors, the selection they have made and other information that has become known to it during the performance of its functions.

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

4. The account operator and the employees thereof shall be prohibited to advertise any pension fund or pension fund manager, advise persons who apply to them to select or otherwise guide them in selecting a certain pension fund manager or pension fund.

Article 18. Functions of the authorised state body of the financial sector of the Government of the Republic of Armenia

1. The authorised state body of the financial sector of the Government of the Republic of Armenia in the field finance shall:

(1) inform the tax authority about making funded allocations and, in case of receiving a relevant assignment, ensure the transfer of funded allocations to the registrar of contributors via the treasury system;

(2) prepare a forecast of the amount of payments to be made every financial year from the State Budget for (for the benefit of) the contributors, which shall be taken into consideration every year when developing the draft of the State Budget;

(3) perform other functions arising from this Law and other legal acts.

CHAPTER 4

PENSION SECRET

Article 19. Keeping of a pension secret

1. Any person, state body or official to whom any information constituting a pension secret has been confided or has become known in the course of their service or work or has been provided as prescribed by this Law shall be prohibited to disclose such information except for cases provided for by this Chapter.

Disclosure of information constituting a pension secret means disclosing such information (or any medium bearing such information) in verbal or written form through the mass media or otherwise, making such information known to a third person or spreading it, directly or indirectly enabling any third person to obtain such information (permitting, failing to hinder or due to a breach in the procedure for keeping such information making the disclosure of such information possible).

2. The employer, the state authorised bodies, the Central Bank, the registrar of contributors, the account operator, the pension fund manager and custodian as well as the person managing the guarantee fund shall be obliged to undertake such technical measures and prescribe such internal regulations that are necessary to ensure the proper keeping of the information constituting a pension secret.

3. Executive officers, officers, or former executive officers or officers of the persons referred to in part 2 of this Law, as well as persons and organisations that provide or used to provide services (works) to the persons referred to in part 2 of this Law, shall be prohibited to disclose any information constituting a pension secret that was confided to them, or use it for their own or third persons' benefit, directly or indirectly enabling third persons to make such use of it, i.e. permit, fail to hinder or

due to a breach in the procedure for keeping such information make the disclosure of such information possible.

4. The employer, the registrar of contributors, the account operator, the tax authority as well as the person managing the guarantee fund may disclose any information constituting a pension secret relating to the contributor before a court when and within the limits necessary for the protection of the rights and lawful interests of the contributor, provided that the dispute has arisen between the contributor and the registrar of contributors or the account operator or the tax authority or the employer or the person managing the guarantee fund.

5. The employer, the registrar of contributors and the tax authority shall, for the purpose of protecting the interests of contributors, provide each other with information on the pension accounts of the contributors, except for information on the pension fund manager, pension fund and pension fund units of the contributor.

6. The Central Bank and the person managing the guarantee fund shall, for the purpose of ensuring the effectiveness of the activities of the guarantee fund, exchange the necessary information in the form and as prescribed by the regulatory legal acts of the Central bank.

7. The registrar of contributors or the tax authority may provide the pension fund manager with the following information on the contributors:

(1) number of the contributors of each pension fund under the management of the given manager;

(2) number of the contributors for (for the benefit of) whom funded allocations are made to each pension fund under the management of the given manager;

(3) number of the contributors having joined to each pension fund (selected, in accordance with Article 33 or 34 or part 1 of Article 35 of this Law, the given pension fund) under the management of the given manager;

- (4) number of the contributors having acquired units of each pension fund of the given manager in the result of exchange of units of other funds;
- (5) number of the contributors for (for the benefit of) whom the making of funded allocations to each pension fund of the given manager has been terminated on the ground of selecting another pension fund;
- (6) number of the contributors withdrawing from each pension fund under the management of the given manager on the ground of exchange of units;
- (7) number of the contributors of each pension fund of the given manager who shall attain the pension age during the year and the quantity of the units belonging thereto;
- (8) number of the contributors receiving programme payments from each pension fund of the manager during the year, total quantity of the units belonging thereto and the total net asset value;
- (9) information prescribed by point 3 of part 1 of Article 11 of this Law.

8. Information referred to in points 1-6 of part 7 of this Law may be submitted in accordance with the age composition (with intervals of at least 5 years), gender of contributors, total quantity of units belonging to the contributors and the total net asset value, amount of funded allocations made (with intervals of at least ten thousand drams), as well as in accordance with marzes (city of Yerevan).

9. Information prescribed by part 7 of this Law may not be submitted more often than once a month.

10. The registrar of contributors and the tax authority shall be obliged to ensure that other information which they possess or which serves a basis for calculation and which may help a pension fund manager identify a certain contributor or the employer where the contributor works is not accessible to the pension fund managers.

Article 20. Provision of a pension secret to criminal prosecution authorities

1. The employer, the registrar of contributors, the account operator, the tax authority shall, in accordance with this Law, provide the information constituting a pension secret to criminal prosecution authorities only on the basis of a court decision adopted in accordance with the Criminal Procedure Code of the Republic of Armenia.
2. The employer, the registrar of contributors, the tax authority shall be obliged to provide to the criminal prosecution authority or the person authorised by it with information required by the given decision within two working days upon receiving the decision of the court.
3. It shall be prohibited to inform the contributors of the fact that information constituting a pension secret relating thereto has been provided to criminal prosecution authorities.
4. When an analysis of the information defined by the Law of the Republic of Armenia "On combating money laundering and terrorism financing" conducted by the Central Bank reveals that there has been a case or an attempt of money laundering or terrorism financing, the Central Bank shall directly inform the relevant criminal prosecution authority thereof.

Article 21. Provision of a pension secret to the court

1. The employer, the registrar of contributors, the tax authority shall, in accordance with this Law, provide the court with information constituting a pension secret on contributors, who are parties in civil and criminal cases, to court according to this Law, only based on the decision of the court adopted as prescribed by the Civil Procedure Code or the Criminal Procedure Code of the Republic of Armenia.

2. The employer, the registrar of contributors, the tax authority shall be obliged to provide the court or the person authorised by the court with information and documents required by the given decision, civil judgment or criminal judgment within two working days upon the moment of receiving the decision of the court.

Article 22. Provision of a pension secret to heirs of a contributor

1. The employer, the registrar of contributors, the tax authority shall, in accordance with this Law, provide information constituting a pension secret on the contributor to the heirs of the contributor where the latter have submitted documents verifying their inheritance rights.

2. The employer, the registrar of contributors, the tax authority shall be obliged to inform the heirs of the information on the contributor that they possess and provide them with the documents they have within ten working days upon the day of receiving the documents verifying inheritance rights.

3. Any refusal by the employer, the registrar of contributors, the tax authority to communicate information and provide documents in compliance with this Article or failure to provide such information or documents within the time limits prescribed may be appealed to the court. Any damages caused to the applying persons or organisations as a result of failure to communicate information and provide documents within the time limits prescribed by this Law shall be subject to compensation as prescribed by law where the refusal has been ungrounded or the time limits have been violated due to the fault of the employer, the registrar of contributors, the tax authority.

Article 23. Provision of information constituting a pension secret to the person managing the guarantee fund

1. Besides the exchange of information prescribed by part 6 of Article 19 of this Law the person managing the guarantee fund may, as prescribed by the regulatory legal acts of the Central Bank, receive other information constituting (containing) a pension secret from the Central Bank or other persons possessing a pension secret only where there arises a case of compensation of funded allocations made for (for the benefit of) the contributors.

CHAPTER 5

PENSION FUND MANAGER

Article 24. Functions and requirements set for the activities of the pension fund manager

1. The pension fund manager shall, in accordance with this Law, implement the management of a pension fund.

The manager implementing the management of a compulsory pension fund shall not have the right to manage a specialised or non-diversified investment fund prescribed by the Law of the Republic of Armenia "On investment funds".

2. In the course of performing their duties the executive officers and employees of a manager shall be obliged to act in the interests of the contributors of the fund, exercise their rights and perform their duties towards the contributors of the fund in good faith and reasonable manner, with an appropriate level of due professionalism (fiduciary duty).

3. The manager shall be obliged to maintain separate records of its own assets, the assets of each fund and the package of securities it manages.
4. The pension fund assets shall not be considered the property of the pension fund manager and they may not be confiscated against the liabilities of the pension fund manager, nor in the case of bankruptcy.
5. The pension fund manager shall, as prescribed by the law, the regulatory legal acts of the Central Bank and the rules of the given fund, daily define the value of the net assets of each pension fund and the fund units under its management.

Article 25. Information on the pension fund manager and the fund under its management and publication thereof

1. Information on the pension fund manager subject to publication shall be accessible to everyone.
2. The pension fund manager shall be obliged to always have an operating website and publish at least in Armenian at least the following information on the funds it manages:
 - (1) financial statements (at least the latest annual statement and the latest quarterly statement) and the external audit opinion on annual statements;
 - (2) general information on the composition and structure of the pension fund assets;
 - (3) information on the profitability;
 - (4) information on the decisions on paying dividends, as well as copies of acts establishing the dividend policy of the pension fund manager, if available;
 - (5) information on the persons with qualifying holding in the authorised capital of the pension fund manager: their names and the amount of their holding in the authorised capital of the pension fund manager;

(6) list and personal data (name, surname, date of birth, biography) of the members of the board of directors and the executive body of the manager.

The regulatory legal acts of the Central Bank may prescribe the form, procedure (including means of publication) and frequency for publishing the information referred to in points 1-6 of this part, as well as other information (except for information constituting trade or other secret or work-related information).

3. The pension fund managers shall be obliged to publish daily updated information on the pension funds they offer on their website or through other publicly accessible means.

4. After the end of the financial year by 1 May the pension fund managers shall be obliged to publish the audit opinion and the annual financial statement on the official website of public notifications of the Republic of Armenia at <http://www.azdarar.am>.

5. A pension fund manager shall not have the right to use in its advertisements, public offers or in any statements made on its behalf misleading information or statements made by other persons with regard to that pension fund manager that may give rise to wrong assumptions or misreadings on the financial position of the pension fund manager, the position it occupies in the financial market, its image, business reputation or legal status.

6. The methodology for calculation of the profitability of the pension fund assets and the standards for submitting information on the profitability shall be prescribed by the Central Bank agreeing them with the authorised state body of the financial sector of the Government of the Republic of Armenia.

7. The information published or provided by a pension fund manager in accordance with this Article must be reliable and complete.

Article 26. Requirements set for the authorised capital of pension fund managers and for their contributions to the compulsory pension fund under their management

1. The regulatory legal acts of the Central Bank shall prescribe the minimum amount of the authorised capital of the pension fund manager which may not be less than five hundred million drams for compulsory pension fund managers and less than two hundred million drams for voluntary pension fund managers.
2. Besides the authorised capital prescribed by part 1 of this Article the pension fund managers shall be obliged to transfer contributions from their means to each compulsory pension fund under their management in the amount of at least one per cent. The methodology for calculation of the amount of the contributions provided for by this part shall be prescribed by the regulatory legal acts of the Central Bank.
3. In case prudential standards prescribed by this Article are violated, the pension fund manager shall be obliged to inform the Central Bank thereof within three working days and undertake measures towards eliminating these violations within the time limits prescribed by the Central Bank, but not more than within four months.
4. The procedure for acquiring compulsory pension fund units by the pension fund manager shall be established by the regulatory legal acts of the Central Bank.
5. The requirement prescribed by part 2 of this Article shall not apply to those pension fund managers whose contributions to each compulsory pension fund under their management exceed the amount prescribed by the regulatory legal acts of the Central Bank. Moreover, the amount of the compulsory contributions prescribed by this part may not be less than one billion drams.

Article 27. Termination of activities of the pension fund manager and revocation of the permission for management of a pension fund

1. The general meeting of shareholders of the pension fund manager shall have the right to adopt a decision on liquidation (self-liquidation) of the pension fund manager, as well as may, on the basis of the pension fund manager's motion, revoke its permission for management of a compulsory or voluntary pension fund.
2. For self-liquidation or revocation of the permission for management of a compulsory or voluntary pension fund the pension fund manager must obtain the prior consent of the Central Bank in compliance with the procedure and conditions prescribed by the Law of the Republic of Armenia "On investment funds" and regulatory legal acts of the Central Bank adopted on the basis thereof.
3. The pension fund manager having obtained the prior consent prescribed by part 2 of this Article shall undertake measures towards transferring the management of all the pension funds under its management to another pension fund manager (other pension fund managers) as prescribed by the Law of the Republic of Armenia "On investment funds". Moreover, the contract on transferring the management of the compulsory pension fund shall be concluded with the compulsory pension fund manager who was declared the winner of the tender held as prescribed by the regulatory legal acts of the Central Bank. A regulatory legal act of the Central Bank shall prescribe requirements for the assessment of the applications submitted for the tender provided for by this part; these requirements shall take into consideration the management fees prescribed by the person having submitted the application, its financial position, reputation, experience and other circumstances.
4. In case of revocation — as a sanction — of the licence of the pension fund manager or the permission for management of a compulsory or voluntary pension

fund, the duties prescribed by part 3 of this Article shall be performed by the pension fund manager (liquidation commission).

The termination of the activities of the pension fund shall be implemented as prescribed by the Law of the Republic of Armenia “On investment funds”.

5. Within three days after adopting a decision on giving to the pension fund manager a prior consent to liquidating or revoking the licence thereof or the permission for management of a compulsory or voluntary pension fund prescribed by this Article, the Central Bank shall be obliged to inform the registrar of contributors thereof.

6. The registrar of contributors shall, within a 10-day period, inform the contributors having selected the pension fund of the concerned manager about transferring the management of the pension fund to another pension fund manager, as well as about their right to make a new selection of a pension fund.

7. Within 60 days upon the moment of transferring — upon the ground of revocation of the licence of the pension fund manager or the permission for management of a compulsory pension fund, as well as obtaining the prior consent of the Central Bank for self-liquidation of the pension fund manager or revocation of the permission to manage a compulsory pension fund — the compulsory pension fund to another pension fund manager, the contributors of the transferred compulsory pension fund shall have the right to change the given pension fund free of charge as prescribed by Article 35 of this Law.

CHAPTER 6

CUSTODY OF PENSION FUND ASSETS

Article 28. Pension fund custodian

1. The custody of the pension fund assets shall be implemented by this Law and as prescribed by the Law of the Republic of Armenia "On investment funds".

2. The custodian shall be obliged to provide the assets custody services with an appropriate level of professionalism, accuracy and attention, acting in good faith and exclusively in the interests of contributors (fiduciary duty).

3. The custodian shall be obliged to distinguish the assets of each pension fund handed over for custody from its assets, the assets of other persons and funds and maintain separate records thereof.

4. The banks functioning within the territory of the Republic of Armenia which have been providing securities custody service for at least two years as prescribed by the Law of the Republic of Armenia "On securities market" may be pension fund custodians.

A pension fund manager shall be prohibited to conclude a contract on custody of pension fund assets with a custodian affiliated with itself.

5. In cases when the assets of a compulsory pension fund are invested also outside the Republic of Armenia, the custodian shall, where necessary, conclude a relevant contract with a foreign custodian to perform the functions related to that custody through the offices of the latter in accordance with the Law of the Republic of Armenia "On investment funds".

6. The custodian shall have the right to carry out custody of assets of two and more pension funds simultaneously. In these cases the custodian shall be obliged to

distinguish and maintain separate records of both its own assets and the assets of each pension fund, as well as of the operations performed and entries made in relation to those assets.

7. The pension fund assets shall not be considered the property of the custodian and they may not be confiscated against the liabilities of the custodian, nor in the case of bankruptcy.

Article 29. Functions of the custodian

1. Besides the functions prescribed by the Law of the Republic of Armenia "On investment funds" the custodian shall be obliged to notify the Central Bank of violations of this Law, the regulatory legal acts of the Central Bank and the rules and requirements of the fund committed by the pension fund manager or of having reasonable doubts regarding such violations. In case of detecting a violation referred to in this part or having doubts regarding such violation the custodian shall be obliged to notify the Central Bank thereof within one day.

2. In addition to the functions prescribed by the Law of the Republic of Armenia "On investment funds", the pension fund custodian shall also perform the following functions:

(1) organise the exchange of voluntary pension fund units with other voluntary pension fund units;

(2) organise, jointly with the registrar of contributors of the pension fund, the exchange of compulsory pension fund units with other compulsory pension fund units;

(3) organise, jointly with the registrar of contributors and the insurance company, the transfer of funds generated as a result of redemption of compulsory pension fund units belonging to a contributor to the insurance company with the aim to conclude an annuity contract in accordance with this Law;

(4) organise the redemption of pension fund units belonging to a pension fund contributor with the aim to conclude a funded pension contract with the insurance company;

(5) perform other functions arising from this Law.

Article 30. Liability of the custodian

1. The custodian shall bear liability for non-performance or improper performance of its duties as prescribed by the law of the Republic of Armenia.

2. A contract concluded between a pension fund manager and a custodian may not restrict the liability of the custodian prescribed by this Law and other laws.

3. The custodian shall bear liability for the damages caused to contributors by its actions or omissions. These damages may not be compensated at the expense of the assets of the compulsory pension fund handed over for custody.

4. In accordance with this Law and the Law of the Republic of Armenia "On investment funds" in case part of the duties of a custodian is performed by another custodian (sub-custody), the main custodian shall be held liable for the caused damages in accordance with the Law of the Republic of Armenia "On investment funds".

Article 31. Changing a custodian

1. The custodian may at its own discretion terminate the contract on pension fund custody (voluntary termination of a contract) as prescribed by Article 90 of the Law of the Republic of Armenia "On investment funds".

2. In case the custodian has an intention to terminate the contract at its own discretion it shall be obliged to inform the pension fund manager, the Central Bank

and the registrar of contributors (in case of custody of compulsory pension fund) thereof at least 90 days prior to the alleged termination.

3. Where the license of a custodian has been revoked, as well as a custodian has been declared bankrupt (compulsory termination of activities), the Central Bank shall be obliged to inform the pension fund manager thereof within a three-day period upon the day of adopting the decision.

4. The pension fund manager shall be obliged to conclude a custody contract with another custodian within a sixty-day period upon receiving the information.

5. After the termination of the contract on pension fund custody, the custodian shall be obliged to transfer the pension fund assets and the documents thereon to the new custodian. In case of termination of the contract on pension fund custody, the custodian shall be obliged to continue performing its duties prescribed by the law, regulatory legal acts adopted on the basis thereof and the rules of the pension fund until a contract is concluded with the new custodian and the assets of the latter's fund are transferred. The custodian shall continue to bear liability until the assets and the documents have been completely transferred to the new custodian.

CHAPTER 7

SELECTION OF COMPULSORY PENSION FUND

Article 32. Contributors' right to select a compulsory pension fund

1. A contributor shall have the right to select a pension fund. Moreover, in each case the contributor may select only one pension fund. A funded allocation made for (for the benefit of) a contributor during the same period may not simultaneously be forwarded to more than one pension fund.

2. The complete and updated information on the pension fund managers and the pension funds thereof must constantly be available at the registrar of contributors (inter alia, on its website) and the account operator.

Article 33. Selection of pension fund

1. In order to select a pension fund the contributor shall submit an application for selection of the pension fund to the registrar of contributors either online (via the website of the registrar of contributors) or through the offices of the account operator. The form of the application and the procedure for its submission shall be prescribed by the regulatory legal acts of the Central Bank.

2. The application referred to in part 1 of this Article shall contain at least the following information:

- (1) the contributor's name and surname, passport series and number, the year, month and day of birth of the contributor;
- (2) public service number or the number of the statement of information on not having a public service number;
- (3) contact details (telephone number, electronic mail address (if available), place of residence, etc.) of the contributor;
- (4) the contributor's preferred means of receipt of information from the registrar of contributors (pension account statements, letters, electronic messages, etc.);
- (5) the name of the selected pension fund manager and the pension fund;
- (6) confirmation of accepting the management fees of the selected pension fund manager and the rules of the fund;
- (7) confirmation of being aware of his or her obligation to pay social contributions and of having accepted the compulsory pension fund units acquired and to be

acquired at the expense of the funded allocations made for (for the benefit of) him or her;

(8) the year, month and day of submitting the application;

(9) signature of the contributor (authorised representative of the contributor), except for cases where the application was submitted in electronic mode which ensures identification.

3. The contributor shall inform the registrar of contributors of the change of personal data referred to in the application prescribed by part 1 of this Article as prescribed by the registrar of contributors.

Article 34. Failure to select a compulsory pension fund

1. In case a contributor does not select a pension fund within 30 days following the opening of the pension account based on the information prescribed by part 7 of Article 9 of this Law, the selection of the pension fund shall be carried out by the registrar of contributors by means of a software module on the first working day following the prescribed time period.

The software module will randomly distribute the contributors having made no selection among all the pension fund managers maintaining the proportion of the selections made by other contributors on the basis of the proportion existing on the day preceding the day of transferring, in accordance with part 1 of Article 11 of this Law, the pension fund units to the pension accounts of the contributors, except for the case prescribed by part 3 of this Article.

At the expense of the funded allocations made for (for the benefit of) persons having failed to select a pension fund,, pension fund units of average risk (conservative pension fund units) of a pension fund manager randomly selected as prescribed by paragraph 2 of this part shall be acquired.

2. If a person has not submitted an application for selection of the pension fund, the registrar of contributors shall, within 10 days following its selection of the pension fund manager and the pension fund, send a notification thereon to the given person in written (paper) form (except for the case where the person has submitted an application provided for by part 3 of Article 13 of this Law). Moreover, the notification provided for by the first sentence of this part shall contain the information prescribed by the relevant regulatory legal act of the Central Bank.

3. The Central Bank shall for all or part of the contributors having failed to select a pension fund prescribe a procedure for distribution among managers, where it is necessary for the protection of the rights and legitimate interests of the contributors of the funded pension component, as well as for ensuring stability of the funded pension system and/or financial system.

4. The registrar of contributors shall, in the manner, within the time limits and frequency prescribed by the regulatory legal acts of the Central Bank, publish publicly accessible information about the fact that in case a person has not selected a pension fund, the selection of the pension fund shall be carried out by the registrar of contributors by means of a software module and randomly, after which future funded allocations made for (for the benefit of) contributors shall be directed to the pension fund selected.

Article 35. Contributor's right to change the pension fund manager and the pension fund

1. A contributor shall be entitled to change at any moment the previously selected compulsory pension fund free of charge for the purpose of directing his or her future funded allocations to any pension fund managed by the same or a new pension fund manager except for the case provided for by part 10 of Article 13 of this Law.

In the case prescribed by this part, a contributor shall fill in and submit to the registrar of contributors an application for selection of the pension fund.

2. A contributor shall be entitled to exchange his or her compulsory pension fund units solely with units of another compulsory pension fund, except for the case provided for by part 10 of Article 13 of this Law. A contributor shall be entitled to exchange his or her compulsory pension fund units with units of another compulsory pension fund (managed by the same or another manager) by submitting to the registrar of contributors an application for exchange of fund units. In case of exchange of compulsory pension fund units, a payment for redemption of the units subject to exchange may be charged from the contributor in accordance with parts 2 and 3 of Article 40 of this Law.

3. The application provided for by part 2 of this Article shall contain information provided for by part 2 of Article 33 of this Law, as well as the names of previous and newly selected pension funds and their managers. The form of the application provided for by part 2 of this Article shall be prescribed by the regulatory legal acts of the Central Bank.

4. The registrar of contributors shall reject the application provided for by part 1 or part 2 of this Article in cases provided for by part 10 of this Article as well as in case it does not comply with requirements of this Law or the regulatory legal acts adopted on the basis of this Law.

The registrar of contributors shall, within 5 days, notify the contributor having submitted the application about rejecting the application, stating the reasons for rejection.

5. Where payments shall be charged when exchanging pension fund units pursuant to part 2 of this Article and part 2 of Article 40 of this Law, the registrar of contributors shall notify the contributor thereof, stating the amount subject to payment.

6. Starting from the moment the application provided for by part 1 of this Article is submitted to the registrar of contributors the funded allocations made for (for the benefit of) the contributor shall be directed to the newly selected pension fund.

7. The exchange of compulsory pension fund units shall be carried out within 10 days following the receipt of the contributor's application provided for by part 2 of this Article.

8. The exchange of compulsory pension fund units shall be carried out at the repurchase (redemption) prices determined for the day (hour) of submitting the exchange request and at the placement prices determined for the day (hour) of placement of new units.

The compulsory pension fund units shall be repurchased (redeemed) at the latest redemption price for the given unit calculated and announced as prescribed by Article 29 of the Law of the Republic of Armenia on "On Investment Funds" as of the moment of submission of the request for repurchase (redemption) of those units.

Compulsory pension fund units shall be placed at the latest placement price for the given unit calculated and announced as prescribed by Article 29 of the Law of the Republic of Armenia on "On investment funds" as of the moment of submission of the request for placement of those units.

9. The registrar of contributors may fulfil its duties provided for by parts 4 and 5 of this Article by means of the information system, via the website of the registrar of contributors or through the offices of the account operator.

10. Exchange of pension fund units shall be prohibited in case repurchase (redemption) of the units subject to exchange or issuance of new fund units has been suspended:

(1) by the joint decision of the Central Bank and the authorised state body of the financial sector of the Government of the Republic of Armenia; or

(2) according to the rules of the compulsory pension fund on grounds prescribed by the rules of the fund. Moreover, the rules of a compulsory pension fund may only prescribe the grounds for suspension of repurchase (redemption) of units or issuance of new fund units prescribed by the joint decision of the Central Bank and the authorised state body of the financial sector of the Government of the Republic of Armenia. In the case prescribed by this point, repurchase (redemption) of the units subject to exchange or issuance of new fund units may be suspended for a period not exceeding 3 months, notifying the Central Bank and the custodian in advance about the suspension of repurchase (redemption) of the units or issuance of new fund units, stating the grounds therefor as well as publishing the relevant information within 3 days in a press outlet with a print run of at least 3000 copies distributed all over the Republic.

CHAPTER 8

INVESTMENT OF COMPULSORY PENSION FUND ASSETS

Article 36. Principles of investment of compulsory pension fund assets

1. Compulsory pension fund assets may be invested exclusively in compliance with the requirements of this Law, the regulatory legal acts adopted on the basis of this Law as well as the rules of the respective fund.
2. For the purpose of maximising the efficiency of the investments for the contributors of the compulsory funded component, the investments of compulsory pension funds shall be based on the following principles:
 - (1) security and profitability of assets;
 - (2) diversification of risks;

(3) ensuring equivalent liquidity.

3. Investment of compulsory pension fund assets for purposes and based on principles other than those referred to in parts 1 and 2 of this Article shall be deemed violation of obligations assumed by a pension fund manager.

4. A pension fund manager shall be obliged to introduce an efficient system of risk management which will enable determining, assessing and controlling at any time all the significant risks as well as the mutual dependence thereof.

5. The system of risk management shall be proportionate to the activities of the manager and the nature, volumes and complexity of the managed funds, reflecting the scope of the activities of the manager.

6. For the purpose of maintaining the efficiency of risk assessment the competent body of the manager shall frequently determine and assess the risks which affect the realisation of the manager's goals as well as shall respond to the changing environment and conditions.

7. The competent body of the manager shall take measures to establish, launch and develop the risk management system of the manager, as well as to introduce high standards of professional ethics of the manager.

8. The competent body of the manager shall prescribe and constantly review the entire risk management system of the manager. The aforementioned process shall include the prescription of acceptable levels of risks as well as the means by which these risks shall be measured and controlled.

9. The competent body of the manager shall inspect whether the risk management system prescribed for the manager constantly operates effectively and whether there exist relevant processes for changing (adjusting) the strategy of the manager where necessary.

10. There shall be introduced a clear distribution of powers at the manager. The distribution of powers shall reflect the nature and amounts of the risks the manager and the funds under its supervision are tend thereto.
11. The manager shall ensure that the mechanisms of internal control be launched at all the levels of the manager and be an integral part of the manager's daily activities both at the upper level of management and at the level of each subdivision.
12. The manager shall have an equivalent risk monitoring system. The risk management system shall ensure that transactions are carried out by persons having such competences in a manner that the competent body of the manager has permitted.
13. The manager shall introduce effective mechanisms of internal accountability and communication.
14. The manager shall have a policy for regulation of conflict of interests, including the processes of disclosure and review thereof as well as rules of behaviour (ethics) for the entire staff.

Article 37. Description of compulsory pension fund

1. Compulsory funded pension funds shall be as follows:
 - (1) balanced fund, according to the rules whereof the total weight of the equity securities and derivative instruments acquired to hedge them may not exceed 50 per cent of the fund's assets;
 - (2) conservative fund, according to the rules whereof the total weight of the equity securities and derivative instruments acquired to hedge them may not exceed 25 per cent of the fund assets;

(3) fixed income fund, according to the rules whereof the assets may not be invested in the equity securities and derivative instruments based thereon.

2. Pension fund managers shall be obliged to submit the fund rules for each compulsory pension fund to the Central Bank for registration, which in addition to the requirements prescribed by the Law of the Republic of Armenia “On investment funds” shall provide for the following:

- (1) procedure for issuance and redemption of the units of the fund manager;
- (2) procedure for calculation and making of programme payments;
- (3) procedure for redemption of pension fund units and transferring the generated funds to the insurance company;
- (4) procedures envisaged and officials responsible for adopting decisions with regard to investments of compulsory pension funds.

Each pension fund manager shall be obliged to offer at least a conservative fund.

3. The Central Bank may adopt regulatory legal acts prescribing additional requirements for pension fund managers.

4. Each compulsory pension fund of a pension fund manager shall differ from other compulsory pension funds of the same pension fund manager by at least 15 per cent of the permissible limit of investments in equity securities.

5. Within the meaning of parts 1 and 4 of this Article equity securities shall not include units (stocks) of the investment funds according to the rules (charter) whereof the assets of the fund may be invested solely in bank deposits, debt securities or derivative instruments acquired to hedge them provided for by Article 43 of this Law.

Article 38. Permissible investments of compulsory pension fund assets

1. Compulsory pension fund assets may be invested in the Republic of Armenia and abroad.
2. When invested abroad, compulsory pension fund assets may be invested in the following:
 - (1) deposits and bank accounts of financial organisations licensed and controlled by the authorised body exercising control over the banking system of the member states of the Organisation for Economic Cooperation and Development (hereinafter referred to as OECD) or the European Union (hereinafter referred to as EU);
 - (2) securities issued or fully guaranteed by the OECD or EU member states, central banks of the OECD or EU member states;
 - (3) securities authorised for regulated markets registered and controlled by the authority exercising control over the capital market of the OECD or EU member states;
 - (4) units (stocks) of investment funds registered and controlled by the authorised body exercising control over the capital market of the OECD or EU member states;
 - (5) derivative instruments solely for the purpose of hedging.
3. Within the territory of Republic of Armenia, compulsory pension fund assets may be invested in the following:
 - (1) bank accounts and deposits, provided that the given 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 authorised for regulated markets operating in the Republic of Armenia;
 - (4) securities issued by investment funds which are controlled by the Central Bank;

(5) derivative instruments solely for the purpose of hedging.

4. Minimum requirements may be prescribed by the regulatory legal acts of the Central Bank for issuers (including banks in case of bank deposits) and/or securities issued thereby in which compulsory pension fund assets may be invested.

5. Compulsory pension fund assets may not be formed at the expense of borrowed funds, except where the borrowings have a maturity of up to 3 months and comprise up to 10 per cent of the given pension fund assets and where the limits provided for by this Law are not violated as a result of the given borrowings.

Article 39. Restrictions on investment of compulsory pension fund assets

1. The maximum amount of investments in foreign currencies made at the expense of compulsory pension fund assets may not exceed 40 per cent of the total assets of the given compulsory pension fund.

2. The maximum amount of investments in inconvertible foreign currencies made at the expense of compulsory pension fund assets may not exceed 3 per cent of the total assets of the given compulsory pension fund.

3. The total volume of the investments made in bank accounts and deposits (including securities certifying depositing of funds in a bank) (hereinafter referred to as “bank deposits”) may not exceed 40 per cent of the assets of the given compulsory pension fund. Meanwhile, the investments made in one bank or banks declared as affiliated in accordance with the Law of the Republic of Armenia “On banks and banking” may not exceed 10 per cent of the assets of the given compulsory pension fund. Moreover, compulsory pension fund assets may be invested as a deposit only in such a foreign bank which is rated at least “BBB” at the BBB level of Standard & Poor’s, “Baa3” at the Baa level of Moody’s or “BBB” at the BBB level of Fitch.

4. The total volume of investments made in securities issued or fully guaranteed by the Republic of Armenia and the Central Bank of the Republic of Armenia may not exceed 50 per cent of the assets of the given compulsory pension fund, moreover, the value of the investments in one issue (tranche) may not exceed 20 per cent of the assets of the fund. This restriction shall not extend to the investments made in securities issued for pension funds only, in case whereof the value of the investments in one issue (tranche) shall not exceed 50 per cent of the assets of the fund.

5. The total volume of investments made in securities issued or fully guaranteed by a foreign state or the central bank of the foreign state may not exceed 40 per cent of the assets of the given compulsory pension fund, moreover, the value of the investments in one issue (tranche) may not exceed 20 per cent of the assets of the fund.

6. The total volume of investments in the securities provided for by parts 4 and 5 of this Article may not exceed 80 per cent of the assets of the given compulsory pension fund.

7. According to the Law of the Republic of Armenia “On asset securitisation and asset-backed securities”, the total volume of investments made in securities issued by securitisation funds may not exceed 5 per cent of the assets of the given compulsory pension fund.

8. Compulsory pension fund assets may not be invested in the following instruments:

- (1) 10 and more per cent of voting equity securities of one issuer.
- (2) 10 and more per cent of non-voting equity securities of one issuer.
- (3) more than 40 per cent of debt securities issued by one issuer.
- (4) more than 25 per cent of other fund units or stocks.

This part shall not apply to the securities provided for by parts 4-5 of this Article.

9. The investments made in securities issued by investment funds may not exceed 50 per cent of the assets of the given compulsory pension fund. Moreover, the investments made in securities issued by investment funds may not exceed 2 per cent of the compulsory pension fund assets where:

(1) those are not open, public, standard and diversified investment funds, in case the funds are registered in the Republic of Armenia.

(2) those are not open and public investment funds, according to the rules (charter) whereof at least 90 per cent of the assets of the investment fund shall be invested only in bank deposits, government bonds, securities authorised for trade in regulated markets or in other liquid assets prescribed by the Law of the Republic of Armenia on "On investment funds", in case the funds are registered in a foreign State.

10. The investments made in investment funds managed by the same manager or in investment funds of managers deemed to be affiliated in accordance with part 36 of Article 3 of the Law of the Republic of Armenia "On securities market" may not exceed 25 per cent of the assets of the given compulsory pension fund.

11. The maximum amount of investments in securities of one issuer may not exceed 10 per cent of the total value of the compulsory pension fund assets, and the maximum amount of investments in securities of affiliated issuers may not exceed 15 per cent of the compulsory pension fund assets, unless otherwise provided for by this Law.

12. Investments in securities issued by one issuer may be made in the amount of up to 25 per cent of the compulsory pension fund assets, provided those are secured bonds. Secured bonds are:

(1) secured mortgage bonds issued by banks or credit organisations in accordance with the Law of the Republic of Armenia "On secured mortgage bonds"

(2) debt securities issued by foreign banks, the funds generated from the placement whereof shall be invested in such assets which are:

a. sufficient to secure (cover) the fulfilment of the obligations attributed to those debt securities for the entire period of their validity, and

b. in case of insolvency or bankruptcy of the issuing bank primarily used for the fulfilment of those obligations which are attributed the debt securities and are towards their owners (compensation of the principal amount (nominal value) of the security and the accrued interests).

13. The total value of the risk related to securities (except for secured bonds) issued by one person which are included in fund assets, bank assets invested with that person and derivative instruments concluded with that person shall not exceed 20 per cent of the total value of the assets of the given fund.

14. The total value of the risk related to securities (including secured bonds) issued by one person which are included in fund assets, bank assets invested with that person and derivative instruments concluded with that person shall not exceed 30 per cent of the total value of the assets of the given fund.

15. Investments in a derivative instrument shall be made only for the purpose of hedging where the given fund includes the security underlying that derivative instrument or hedging risk is characteristic to the given fund. The amount of a transaction concluded in a derivative instrument with one person may not exceed 10 per cent of the value of the fund assets, provided that a party of the transaction is a bank, and may not exceed 5 per cent, where a party of the transaction is another financial organisation. The total amount of the risk related to all the derivative instruments included in the compulsory pension fund assets shall not exceed the total value of the assets of that fund.

16. The investments made in one foreign state may not exceed 15 per cent of the assets of the given compulsory pension fund, except for cases where it is not possible to determine the level of participation of any specific state with regard to investment instruments included in the fund assets.

17. The general market value of the fund assets shall serve as a basis for calculation of quantitative and currency restrictions on investment in financial instruments of compulsory pension fund assets.

18. Quantitative and currency restrictions provided for by this Article shall extend to compulsory pension funds where the value of the net assets of the given fund exceeds two billion Armenian drams and provided that 6 months have passed from the day of making the first funded allocation to the given fund.

19. Compulsory pension fund assets may not be invested in the following instruments:

(1) securities issued by the manager and custodian of the given pension fund, as well as by persons affiliated thereto; This point shall not extend to cases of investing in other fund units (stocks) managed by the manager (or the person affiliated thereto) of the given fund, provided that all the following conditions are met:

a. investment policy of the fund does not contradict the investment goals of the given pension fund;

b. payments for redemption and placement of units (stocks) are not charged;

c. in case the assets of the fund managed by the manager are invested in another fund under its management, double honorarium is not charged from the same assets by investing them in different funds;

d. such an option is provided for by the rules of the fund.

(2) securities issued by the auditor of the manager or custodian of the given pension fund;

(3) securities issued by persons providing advisory services to the manager or custodian of the given pension fund;

(4) derivative instruments, except for investments for the purpose of hedging;

- (5) assets the alienation whereof is prohibited or restricted;
- (6) immovable property or other physical assets (works of art, commemorative coins, icons, antiques, expensive cars, etc.).

20. Securities included in compulsory pension fund assets may not be sold outside regulated markets 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 custodian;
- (4) persons affiliated to those referred to in points 1-3 of this part.

21. The pension fund manager and custodian may not make borrowings from each other or guarantee the fulfilment of each other's obligations.

22. The compulsory pension fund manager shall be obliged to take measures to ensure compliance of pension fund investments to the requirements of this Law and to ensure maximum possible profitability, preserve and save pension fund assets, where the quantitative and currency restrictions provided for by this Article have been violated as a result of the following:

- (1) changes in market prices constituting a basis for valuation of assets;
- (2) changes in foreign currency rates;
- (3) changes in economic and organisational relations between organisations in stocks whereof pension fund assets have been invested;
- (4) other circumstances not depending on the will and beyond the control of the pension fund manager.

23. The compliance of investments as provided for by this Law shall be completed no later than within 6 months starting from the day on which the violation occurred or was revealed as a result of valuation of assets.

CHAPTER 9

PAYMENTS FOR SERVICES

Article 40. Payments made at the expense of compulsory pension fund contributors and payments charged and expenses covered from compulsory pension fund assets

1. The pension fund manager shall from the compulsory pension fund assets charge payments (manager's honorarium) for the compulsory pension fund management in the amount specified in Article 42 of this Law.

Besides the honorarium prescribed by the first paragraph of this part, the pension fund manager may, at the expense of compulsory pension fund assets, also cover the expenses related to the management of the given compulsory pension fund and audit of the pension fund, the composition and maximum amount whereof shall be prescribed by the Central Bank, agreeing them with the authorised state body of the financial sector of the Government of the Republic of Armenia.

Withdrawals from compulsory pension fund assets, other than payments and expenses prescribed by this Law, shall be prohibited.

2. The rules of the pension fund may, except for cases provided for by part 3 of this Article, prescribe a payment for redemption of compulsory pension fund units. The payment for redemption of compulsory pension fund units may not exceed one per cent of the net asset value per unit to be redeemed, except for the case provided for by part 5 of Article 58 of this Law.

3. No payment for redemption of compulsory pension fund units shall be charged in case of receipt of accrued funds as an annuity, programme payment or lump-sum payment when retiring as prescribed by this Law, as well as in the following cases:

(1) exchange by the contributor of his or her pension fund units with units of another pension fund of the same manager;

(2) exchange of pension fund units on grounds provided for by part 7 of Article 27 of this Law;

(3) exchange by the contributor of the units of a given pension fund with units of another pension fund for the first time during 12 months, except for cases of exchange of units of such fund, (part of) the units whereof have been acquired as a result of exchange of units during the last 12 months. Moreover, within the meaning of this Law:

a. exchange of units of a given pension fund with units of more than one pension fund during 12 months shall also be deemed to be exchange for the first time, provided the application (applications) for exchange provided for by this Law with regard to those exchange transactions have been submitted to the registrar of contributors during the same day;

b. the exchange transactions with regard to pension fund units managed by the same pension fund manager shall not be included in the calculation of pension fund units exchange;

(4) exchange for the first time of units of the pension fund selected by the contributor (for the contributor) for the first time as prescribed by Article 33 or Article 34 of this Law following the opening of a pension account for a person according to this Law;

(5) first exchange transaction by an heir with regard to units inherited according to Chapter 12 of this Law;

(6) termination of the pension fund when acquiring other compulsory pension fund units at the expense of the assets of the contributor.

Article 41. Payments for services of the custodian

1. Payments for the services of the compulsory pension fund custodian shall be charged in accordance with the contract concluded with the pension fund manager, at the expense of the manager of the given pension fund.

Article 42. Honorarium of the compulsory pension fund manager

1. The compulsory pension fund manager shall, by the rules of the compulsory pension fund under its management, establish annual honorariums for the management of the given pension fund and the procedure for calculation thereof.

2. The amount of the annual honorarium for compulsory pension fund management shall not exceed 1.5 per cent of the value of the net assets of the given pension fund.

Article 43. Payments for services of the registrar of contributors

1. Payments for services of the registrar of contributors shall be made according to the contract concluded with the pension fund manager, at the expense of the given pension fund manager.

The amount of payments charged by the registrar of contributors shall be economically justified and ensure reasonable profitability for it.

2. The maximum amount of payments charged for services of the registrar of contributors shall be prescribed by the contract concluded between the Government of the Republic of Armenia and the registrar of contributors.

3. For the applications prescribed by this Law addressed to the registrar of contributors the account operator shall be entitled to charge payments from contributors or their heirs, which may not be more than the total sum of the expenses made for that purpose and the reasonable profits expected.

CHAPTER 10

GUARANTYING OF RETURN OF FUNDED ALLOCATIONS AND PROCEDURE THEREOF

Article 44. Guaranteeing of return of funded contributions

1. The Republic of Armenia shall guarantee the return of funded allocations to contributors made for the benefit of persons referred to in point 1 of part 1 of Article 5 of this Law, in the amount — adjusted for annual inflation — of the social contributions paid according to Article 6 of this Law.

2. The procedure for adjustment for annual inflation of social contributions provided for by this part shall be prescribed by Annex which constitutes an integral part of this Law.

3. The return of the amount prescribed by part 1 of this Article shall be guaranteed at the expense of the resources of the guarantee fund established on the basis of this Law, and at the expense of the funds of the State Budget of the Republic of Armenia, provided that the guarantee fund lacks resources.

(Declare part 1 of Article 44, to the extent where guaranteeing the return in the amount adjusted for annual inflation does not also extend to relevant funds allocated from the State Budget of the Republic of Armenia as provided for by Article 9 of the given Law, as contradicting the requirements of Articles 1, 3 and

Article 48 (point 12) of the Constitution of the Republic of Armenia and invalid upon Decision SDVo-1224 of 7 July 2015)

Article 45. Case for and amount of compensation of funded allocations

1. The situation when, as of the day of receipt of the application prescribed part 3 of Article 49 of this Law, the aggregate amount of the net asset values per unit of the compulsory pension fund(s) available on a person's pension account is less than the amount prescribed by part 1 of Article 44 of this Law shall be deemed to be a case for compensation of funded allocations.
2. The compensation provided for by this Chapter shall be made in the amount of the difference between the amount prescribed by part 1 of Article 44 of this Law and the aggregate amount of the net asset values per unit of the compulsory pension fund(s) available on a person's pension account as of the day of receipt of the application prescribed by part 3 of Article 49 of this Law.
3. Each contributor shall benefit from the compensation provided for by this Chapter only once.

(Declare parts 1 and 2 of Article 45, to the extent where guaranteeing the return in the amount adjusted for annual inflation does not also extend to relevant funds allocated from the State Budget of the Republic of Armenia as provided for by Article 9 of the given Law, as contradicting the requirements of Articles 1, 3 and Article 48 (point 12) of the Constitution of the Republic of Armenia and invalid upon Decision SDVo-1224 of 7 July 2015)

Article 46. Funds of guarantee fund and guarantee payments

1. Funds of the guarantee fund shall be generated from the amounts of guarantee payments prescribed by this Law, incomes generated from the management thereof, amounts generated based on the claim against pension fund managers in accordance with part 5 of Article 47 of this Law, other incomes and resources.
2. The amounts of the guarantee payments made by pension fund managers shall be accrued on the guarantee fund account opened with the Central Bank.
3. The resources of the guarantee fund may exclusively be used for the purpose of compensation of compulsory funded pensions guaranteed in compliance with the procedure and conditions provided for by this Law and covering other operating and administrative expenses related to the management of the guarantee fund and implementation of capital investment programmes, which are prescribed by the Law of the Republic of Armenia “On guaranteeing compensation for bank deposits of natural persons” for the Deposit Guarantee Fund.
4. The annual administrative expenses for the guarantee fund management and the capital investments may not exceed 0.1 per cent of the collected guarantee payments.
5. Compulsory pension funds managers, except for insolvent pension fund managers, shall be obliged to pay lump-sum and periodic guarantee payments to the guarantee fund as prescribed by this Law. The procedure for calculation of guarantee payments shall be prescribed by the Government of the Republic of Armenia.
6. Pension fund managers shall pay at their own expense a lump-sum guarantee payment in the amount of AMD 15 million within 10 days upon receipt of the permission for management of a pension fund.
7. Periodic guarantee payments shall be made on a quarterly basis until the tenth working day of the month following that quarter. The sum of the periodic guarantee payments shall be calculated in the amount of 0.02 per cent of the value of the net

assets of the compulsory pension fund under the management of the pension fund manager, on a daily basis. Moreover, periodic guarantee payments shall be made at the expense of the relevant compulsory pension fund assets.

8. Funds accrued in the guarantee fund shall be deemed the property of the Republic of Armenia.

9. In case on the last day of the reporting quarter the resources of the guarantee fund, except for loans, borrowings, guarantees, grants, contributions and donations, exceed 2.5 per cent of the value of the net assets of the compulsory pension funds under the management of all the compulsory pension fund managers making guarantee payments as of the last day of the previous quarter, the pension fund managers shall not make periodic guarantee payments. The guarantee fund notifies the compulsory pension fund managers and the authorised state body of the financial sector of the Government of the Republic of Armenia about it until the 5th day of the month following the reporting quarter. According to this part the making of periodic guarantee payments shall be terminated (shall be resumed) from the month following the day when the guarantee fund notifies about it.

10. In case of failure to make guarantee payments prescribed by this Article, penalty equal to three times the bank interest rate effective as of the day prescribed for making guarantee payments shall be applied with regard to these amounts which shall be paid at the expense of the pension fund manager who has not made the payment.

Article 47. Repayment of funded allocations, exchange of information and oversight

1. The decision on existence of a case for compensation of funded allocations shall be made by the registrar of contributors within 5 working days following the receipt of the application prescribed by paragraph 2 of part 3 of Article 49 of this Law, whereupon it shall, within 3 working days, inform the contributor of the existence (or

absence) of a case for compensation and the amount of difference provided for by Article 45 of this Law.

2. Within 2 working days upon revealing the fact of existence of a case for compensation, the registrar of contributors shall, as prescribed by the Government of the Republic of Armenia, notify the authorised state body of the financial sector of the Government of the Republic of Armenia and the guarantee fund about this fact (including the amount of difference provided for by Article 45 of this Law) by submitting the documents and information prescribed by the Government of the Republic of Armenia.

3. The guarantee fund shall, in case of establishment of the fact of existence of a case for compensation, within 5 working days upon receipt of the documents and information provided for by part 2 of this Article, submit a claim to the authorised state body of the financial sector of the Government of the Republic of Armenia for the purpose of receiving its participatory share, following the receipt whereof it shall, within one working day, transfer the amount of difference provided for by Article 45 of this Law to the registrar of contributors.

4. When paying the funded pension, the registrar of contributors shall join the amount received as prescribed by part 3 of this Article to the amount generated from the redemption of all the units available on the contributor's pension account. In case the contributor receiving the amount prescribed by part 3 of this Article wishes to receive his or her pension in the form of a programme payment, units of that pension fund to which the contributor has been making payments as of the moment of submitting the application prescribed by part 3 of Article 49 of this Law shall be acquired for the contributor as prescribed by Article 11 of this Law at the expense of the amount prescribed by part 3 of this Article.

5. In case of carrying out compensation of guaranteed compulsory funded allocations adjusted for annual inflation, the Republic of Armenia and the guarantee

fund shall obtain the right of recourse against the relevant pension fund manager in the amount of the compensated amount and the expenses relating to the organisation of the compensation, provided that the case for compensation occurred as a result of the activities or omissions of that manager, except where the manager proves that it acted within the scope of its fiduciary duties.

6. The procedure and conditions for exchange of information between the guarantee fund and the Central Bank, as well as between the guarantee fund and the registrar of contributors shall be prescribed by the regulatory legal acts of the Central Bank.

7. The procedure and conditions for exchange of information between the guarantee fund and the authorised state body of the financial sector of the Government of the Republic of Armenia, as well as between the registrar of contributors and the authorised state body of the financial sector of the Government of the Republic of Armenia shall be prescribed by the Government of the Republic of Armenia.

8. The control over the activities — prescribed by this Law, other laws and other legal acts adopted in compliance therewith regulating the activities of the person managing the guarantee fund — of the person managing the guarantee fund, over the person managing the guarantee fund as well as its director shall be exercised and the sanctions against them shall be imposed by the Central Bank in compliance with the procedure and conditions prescribed by the Laws of the Republic of Armenia “On Central Bank of the Republic of Armenia” and “On guaranteeing compensation for bank deposits of natural persons”.

9. The funds of the guarantee fund may be invested exclusively in the following financial assets with high reliability of return prescribed by this Law;

(1) securities issued or fully guaranteed by the Republic of Armenia;

- (2) as bank deposits and/or bank accounts in commercial banks operating in the Republic of Armenia or leading high-rated foreign banks;
- (3) securities issued or fully guaranteed by the Central Bank;
- (4) standardised gold bullions;
- (5) securities issued or fully guaranteed by high-rated states and/or the central banks of those states;
- (6) securities fully guaranteed or issued by leading high-rated organisations;
- (7) other financial assets upon the decision of the board of trustees of the person managing the guarantee fund agreeing it with the authorised state body of the financial sector of the Government of the Republic of Armenia.

10. Acceptable rating limits and the list of acceptable organisations defining ratings shall be prescribed by the board of trustees of the person managing the guarantee fund (hereinafter referred to as “the board”) agreeing it with the authorised state body of the financial sector of the Government of the Republic of Armenia.

Moreover, the primary criterion for placement of the funds of the pension guarantee fund shall be the security and liquidity of the placed funds.

11. In case of liquidation of the person managing the guarantee fund or declaring it bankrupt the management of the fund shall pass to another temporary manager prescribed by the decision of the Republic of Armenia until a principal manager is prescribed by the Government of the Republic of Armenia.

CHAPTER 11

PAYMENT OF FUNDED PENSIONS

Article 48. TYPES OF FUNDED PENSIONS

1. Types of funded pensions shall be as follows:
 - (1) annuities;
 - (2) programme payments;
 - (3) lump-sum payments;
2. The amount of the funded pensions shall be determined based on the amount of the pension fund units available on the contributor's pension account and the period of receiving funded pensions.
3. The registrar of contributors and insurance companies shall use mortality charts universal for both genders for the calculation of annuities and programme payments.
4. Funded pensions may be subject to confiscation as prescribed by the legislation of the Republic of Armenia.

Article 49. Procedure for receiving funded pension

1. A contributor shall obtain the right to receive a funded pension if:
 - (1) the contributor has attained the pension age;
 - (2) the contributor has attained the age of 55 and the total net asset value of the pension fund units available on his or her pension account meets the conditions of point 3 of part 3 of this Article.

A contributor may dispose of his or her funded pension in accordance with this Law regardless of the fact of receiving a state pension.

2. To receive a funded pension, a contributor shall submit an application to the registrar of contributors with a request to receive a statement of information on pension fund(s) units available on his or her pension account, their total net asset value, as well as on the contributor's funds in the form of equal monthly payments calculated based on the tables provided for by part 3 of Article 48 of this Law. The registrar of contributors shall be obliged to provide the contributor within 3 working days upon receipt of the application with a statement of information including the information referred to in the first sentence of this part. The form of the statement of information provided by the registrar of contributors to the contributor shall be defined by the relevant regulatory legal act of the Central Bank. The balance sheet of a pension account shall be kept starting from the day of contributing to the funded component until the day of submission of an application to the registrar of contributors.

3. Depending on the total net asset value of the compulsory pension fund(s) units available on the pension account of a contributor, the contributor may receive his or her compulsory funded pension in the following forms:

(1) if converting the funds of a contributor into equal monthly payments in accordance with part 3 of Article 48 of this Law results in the monthly amount being less than or equal to 75 per cent of the basic pension, the contributor shall be entitled to receive the funded pension in the form of an annuity or programme payments or a lump-sum payment;

(2) if converting the funds of a contributor into equal monthly payments in accordance with part 3 of Article 48 of this Law result in the monthly amount being more than 75 per cent of the basic pension but less than or equal to five times said pension, the contributor shall be obliged to conclude, as prescribed by this Law, an

annuity contract in the amount generated as a result of redemption of his or her compulsory pension fund units;

(3) if converting the funds of a contributor into equal monthly payments in accordance with part 3 of Article 48 of this Law results in the monthly amount being more than five times the basic pension, the contributor shall be obliged to conclude, as prescribed by this Law, an annuity contract at the expense of the funds generated as a result of redemption of part of his or her compulsory pension fund units and in such an amount which, when converted to equal monthly payments, will result in the monthly amount being equal to five times the basic pension, and shall be entitled to receive the remaining part in the form of an annuity or programme payments or a lump-sum payment.

The contributor shall be obliged to submit to the registrar of contributors an application on his or her preferred form.

4. The right to annuity shall arise irrespective of the fact as to whether or not the contributor receives annuities from other sources, state pension and/or benefit.

Article 50. Transfer of contributor's funds to insurance company

1. The contributor shall submit to the registrar of contributors an application providing information on the selected insurance company and the annuity contract, as well as on redemption of the units and transfer of the funds generated as a result thereof to the insurance company. The application form, as well as the list of documents to be attached thereto shall be prescribed by the relevant regulatory legal act of the Central Bank.

2. The registrar of contributors shall be obliged to notify the compulsory pension fund manager about the redemption request and, within 10 working days upon receipt of the application provided for by part 1 of this Article, jointly with the pension fund

custodian organise the redemption of the units available on the contributor's pension account and the transfer of the funds generated as a result thereof to the insurance company referred to in the application of the contributor for the purpose of purchasing an annuity.

3. In case of failure to transfer the funds within the period provided for by part 2 of this Article, the registrar of contributors shall pay the contributor a penalty for each day of default in the amount of 0.01 per cent of the overdue amount. In case of paying a penalty provided for by this part, the registrar of contributors shall have the right to submit a recourse claim against the given pension fund custodian, provided that the default was due to the custodian's fault.

4. The insurance company shall, in accordance with part 2 of this Article, inform the contributor, wherewith it has concluded a contract, of receipt of the funds and the amount thereof within 7 days following the receipt.

Article 51. Types of annuities

1. The types of annuities shall be as follows:

(1) annuity guaranteed for 10 or 5 years (hereinafter referred to as period-certain annuity);

(2) joint life annuity, with a 10 or 5 year guarantee.

2. A period-certain annuity shall be paid throughout a person's lifetime, however where the person dies before the 10 or 5 years of guarantee period (as covered by the contract) has expired, persons deemed as heirs by law shall be entitled to receive from the insurance company the remaining sum of the period-certain annuity.

3. The joint life annuity shall be paid throughout the lifetime of the person for the benefit of whom it has been assigned. Upon the death of that person the annuity shall continue to be paid to the surviving spouse for the rest of his or her life in the amount

provided for by the annuity contract. Where both spouses die during the guarantee period, their heirs shall receive the portion of the non-paid amount prescribed by the annuity contract.

4. Creditor rights arising from the annuity contract may not be pledged as cover assets for other liabilities.

Article 52. Conclusion of annuity contract

1. Under the annuity contract an insurance company shall be obliged to pay an annuity to the contributor against the funds transferred to it for the contributor in a lump sum pursuant to Article 50 of this Law. The insurance company shall be obliged to conclude an annuity contract with each contributor who has applied thereto with that purpose (open contract).

2. The contributor and the insurance company shall conclude an annuity payment contract taking into account the requirements prescribed by this Law and related regulatory legal acts.

3. For the purpose of concluding an annuity payment contract a contributor shall submit to the insurance company (in either paper or electronic form) the statement of information provided by the registrar of contributor in accordance with part 2 of Article 49 of this Law on the total net asset value of the pension fund units available on the contributor's pension account.

4. When concluding an annuity contract an insurance company shall be prohibited from demanding any information from the contributor on his or her health condition or history of disease.

5. The following shall be specified in an annuity contract:

(1) annuity type;

- (2) age of the contributor;
- (3) lump-sum amount transferred to the insurance company;
- (4) amount, time period and frequency of payment of the annuity subject to payment;
- (5) grounds and conditions of termination of the annuity contract;
- (6) liability for violation of the of the annuity contract;
- (7) other conditions prescribed by law and the relevant regulatory legal act of the Central Bank.

6. Along with the essential conditions provided for by this Law and the relevant regulatory legal act of the Central Bank, an annuity contract may stipulate at the discretion of the parties other provisions which do not contradict this Law and the relevant regulatory legal act of the Central Bank.

Article 53. Termination of annuity contract

1. An annuity contract shall terminate in the event of death of the contributor and, in case of joint life annuity contract, death of the second spouse, with the exception of the case provided for by part 2 of this Article.

2. In the event of death of persons receiving an annuity during the guaranteed period, the annuity contract shall terminate in case the remaining amount prescribed by the contract has been paid to heirs, or in case the remaining amount has been declared heirless in a court procedure is transferred to the State Budget.

3. Where the insurance company fails to pay the annuity two and more times in the course of 12 months and in case of committing two and more other violations of the annuity contract, the person receiving an annuity or his or her spouse or a person authorised by them shall be entitled to unilaterally terminate the contract on their

initiative by requesting the insurance company to reimburse the remaining amount and losses caused.

4. In case of terminating the annuity contract on grounds provided for by part 3 of this Article, the remaining amount of the annuity shall be subject to transfer to another insurance company specified by the person. The methodology for calculating the remaining amount referred to in this part and the procedure for transferring it to another insurance company shall be prescribed by the relevant regulatory legal act of the Central Bank.

Article 54. Programme payment

1. A programme payment is a pension paid on a monthly basis at the expense of partial redemption of pension funds units available on the contributor's pension account and divided by the months of life expectancy.

2. The Government of the Republic of Armenia shall prescribe the methodology of calculation and the procedure for payment of programme payments.

Article 55. Lump-sum payment

1. In cases provided for by point 1 or 3 of part 3 of Article 49 where a contributor submits an application for receipt of pension in the form of a lump-sum payment, the registrar of contributors shall, within ten working days, make a lump-sum payment at the expense of redemption of units available on the contributor's pension account pursuant to the procedure jointly prescribed by the authorised state body of the financial sector of the Government of the Republic of Armenia and the Central bank.

2. Where the registrar of contributors fails to make the lump-sum payment within the period prescribed by part 1 of this Article, the registrar of contributors shall pay to the contributor a penalty for each day of default in the amount of 0.01 per cent of the

overdue amount. In case of paying a penalty provided for by this part, the registrar of contributors shall have the right to submit a recourse claim against the given pension fund custodian, provided that the default was due to the custodian's fault.

Article 56. Request by the contributor to receive funds available on pension account in full

1. The contributor shall have the right to submit at any time, including before attaining the pension age, a request to receive the funds available on his or her pension account (including pensions payable in the form of programme payments based on an application previously submitted by the contributor) (irrespective of their amount), provided that any of these conditions apply:

- (1) the contributor has been recognized as prescribed by the legislation as a disabled person with a third-degree restriction of working capacity;
- (2) in case of developing any of the diseases (suffering from any of the conditions) included in the list prescribed by the Government of the Republic of Armenia based on an opinion issued by an authorised body of the health sector of the Government of the Republic of Armenia;
- (3) a foreign contributor working in the Republic of Armenia returns to his or her country of permanent residence.

2. In case of existence of any of the grounds specified in part 1 of this Article, the contributor shall submit an application to the registrar of contributors attaching respective substantiating documents.

3. The registrar of contributor shall redeem the units available on the contributor's pension account and pay the respective funds to him or her as prescribed by Article 55 of this Law within ten working days upon receipt of the contributor's application

and substantiating documents, except for the cases provided for by part 4 of this Article.

4. In case of redemption of the compulsory pension fund units of a contributor on grounds provided for by point 3 of part 1 of this Article before the contributor attains the pension age, the accumulated funds shall be transferred for the benefit of the contributor to the funded pension system in the respective foreign state to which he or she is a member pursuant to the procedure and conditions prescribed by the Government of the Republic of Armenia. In case a person is not a member of a funded pension system in the respective foreign state or the transfer of funds is not possible for any other objective reasons, he or she may receive his or her funds solely as prescribed by Article 49 of this Law.

CHAPTER 12

INHERITANCE OF PENSION FUND UNITS AND ANNUITY

Article 57. Inheritance of pension fund units and the annuity

1. Relations with regard to inheritance of pension fund units and annuity shall be regulated in compliance with this Law and the Civil Code of the Republic of Armenia.
2. Pension fund units and the remaining amount of an annuity may be transferred solely to natural persons in an inheritance procedure, and to the Republic of Armenia in case declared heirless in a court procedure.
3. Both fund units available on the pension account of a contributor who dies before attaining the pension age and the units and annuity — subject to inheritance — of a pensioner who dies during the period of receiving funded pension may be inherited.

4. In the event of death of a contributor, the pension fund units available on his or her pension account shall be transferred to the pension account of his or her heir as chosen by the latter or shall be redeemed as prescribed by Article 55 of this Law with the funds generated as a result of redemption being paid to the heir in the form of a lump-sum payment. Where the heir is a person having submitted the application provided for by part 3 of Article 13 of this Law (has not submitted the application provided for by part 11 of Article 13 of this Law), the pension fund units — subject to inheritance — of the deceased contributor shall be redeemed and the amount generated as a result of redemption shall be paid to the heir in the form of a lump-sum payment.

5. The procedure for inheriting the annuity from the insurance company and the application form shall be prescribed by the relevant regulatory legal act of the Central Bank.

6. In accordance with this Law the pension fund units — subject to inheritance — of a deceased pensioner having submitted an application for receipt of pension shall be redeemed based on the application of the heir and the amount generated as a result of redemption shall be paid to the heir in the form of a lump-sum payment.

7. If a deceased contributor has no heir or if none of the heirs has, within 3 years from the day of death of the contributor, submitted an application for accepting the units of the deceased as a property of a legal heir to the registrar of contributors, the registrar of the contributors shall be obliged to notify the authorised state body of the financial sector of the Government of the Republic of Armenia about it in writing.

The units belonging to a deceased contributor may be declared heirless in a court procedure based on an application of authorised state body of the financial sector of the Government of the Republic of Armenia after 3 years of the contributor's death. The units declared heirless shall be redeemed by the registrar of contributors and the generated funds shall be transferred to the State Budget of the Republic of Armenia,

8. If no amounts have been credited to the contributor's funded pension account or no assignments have been made for performing any transactions relating to the funded account for the last 10 years after the contributor has attained the pension age and there is no information available on the fact of the contributor being dead, the registrar of contributors shall be obliged to notify the authorised state body of the financial sector of the Government of the Republic of Armenia about it in writing.

After receiving the information, the authorised state body of the financial sector of the Government of the Republic of Armenia shall submit an application to court for declaring the units of the contributor without owner. The units declared without owner in a court procedure shall be redeemed by the registrar of contributors and the generated funds shall be transferred to the State Budget of the Republic of Armenia.

Article 58. Procedure for inheritance of pension assets

1. Within one year upon receipt of the inheritance certificate an heir shall submit an application to the registrar of contributors requesting redemption of inherited pension fund units and receiving the funds generated as a result of redemption in a lump sum as prescribed by this Law and/or transferring the inherited units to his or her pension account as prescribed by this Law. The heir shall be obliged to attach a copy of the inheritance certificate to the application.

2. The application prescribed by part 1 of this Article may be submitted in either paper or electronic form.

The application provided for by part 1 of this Article shall contain the following information:

(1) the heir's name and surname, passport series and number;

- (2) public service number or the number of the statement of information on not having a public service number, except for the case when the person is a foreign citizen and is not a contributor of the compulsory funded component;
- (3) contact details (telephone number, electronic mail address, etc.) of the heir;
- (4) the heir's preferred means of receipt of information from the registrar of contributors (letters, electronic messages and etc.);
- (5) the predecessor's name and surname;
- (6) the predecessor's public service number or the number of the statement of information on not having a public service number;
- (7) heir's choice of the form of inheritance of the pension fund units inherited (transfer to the heir's pension account or redemption) and amount (per form);
- (8) details of his or her individual bank account;
- (9) details of the inheritance certificate;
- (10) the year, month and day of submitting the application;
- (11) signature of the heir (authorised representative of the heir), except for cases where the application was submitted in electronic mode which ensures identification.

Where the heir has submitted an application for transferring, pursuant to this Law, the full amount of the inherited pension fund units to his or her pension account, the information provided for by point 9 of this part shall not be filled in.

3. The application prescribed by part 1 of this Article may not be withdrawn or changed.

4. The registrar of contributors shall be obliged to organise the transfer of the pension fund units to the heir's pension account and/or the redemption of the pension fund units and the payment of the funds generated as a result of redemption in a lump sum within 10 working days upon receipt of the application prescribed by part 1 of this

Article. The compulsory pension fund units shall be repurchased (redeemed) at the latest redemption price for the given unit calculated and announced as prescribed by Article 29 of the Law of the Republic of Armenia on “On Investment Funds” as of the moment of submission of the request for repurchase (redemption) of those units.

5. Where the heir has submitted an application for redemption of inherited pension fund units and receiving the funds generated as a result of redemption in a lump sum, an additional 2 per cent repurchase (redemption) fee shall be charged in favour of the given pension fund during repurchase (redemption) of the compulsory pension fund units.

Article 59. Rejection of application for inheritance of pension fund units

1. The registrar of contributors shall be entitled to reject the application prescribed by Article 58 of this Law, provided that the application was not submitted within the prescribed period and does not comply with the requirements prescribed by Article 58 (2) of this Law or the form prescribed by the relevant regulatory legal act of the Central Bank.

The registrar of contributors shall notify in writing the heir having submitted the application about rejecting the application and the reasons for rejection.

2. Where the registrar of contributors rejects the application prescribed by Article 58 of this Law on grounds of non-compliance with the prescribed requirements, the heir shall be obliged to submit a new application complying with the prescribed requirements.

CHAPTER 13

VOLUNTARY PENSION COMPONENT

Article 60. Principles of operation of voluntary pension component

1. The voluntary pension component of the pension system of the Republic of Armenia shall be based on the following principles:

- (1) voluntary contribution by natural and legal persons;
- (2) provision of tax privileges for contributing to the voluntary pension component.

2. The types of voluntary pension schemes are the following:

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

Article 61. Carrying out of voluntary pension activities

1. In the territory of the Republic of Armenia only voluntary pension funds (pension fund managers), banks and insurance companies shall be entitled to offer voluntary pension schemes.

2. Employers who conclude voluntary pension contracts for the benefit of their employees, as well as natural persons who are entitled to conclude voluntary pension contracts for their own benefit or for the benefit of others, may be parties to voluntary pension contracts.

3. Voluntary pension funds shall be obliged to define the rules of the voluntary pension funds, which shall address the amount of the voluntary contributions, amount of the fee for redemption of units, time limits for and frequency of making payments,

time limits for and frequency of payment of pensions, as well as other conditions provided for by the relevant regulatory legal act of the Central Bank.

4. The rules for voluntary pension schemes may be amended so as to affect future time periods only.

5. A person may participate in more than one voluntary schemes simultaneously.

6. A person shall obtain the right to receive a voluntary pension after attaining the pension age.

7. Before attaining the pension age, a contributor shall be entitled to submit a request for paying his or her accumulated funds (net asset value of pension fund units (stocks) belonging to him or her, deposit amounts, including interests accrued, paid insurance premiums, other reimbursements minus expenses for insurance contract conclusion and execution) in a lump sum, provided that at least two years have passed since the day of paying the first pension contribution to the respective pension fund, bank or insurance company, of placing the first deposit or of paying the first insurance premium except for cases provided for by Article 70 of this Law.

8. A higher redemption fee, fine and/or lower interests may be provided for by the lump-sum payment contract provided for by part 7 of this Article, except when such request has been submitted in the following cases:

(1) the contributor has been recognized as prescribed by the legislation as a disabled person with a third-degree restriction of working capacity;

(2) in case of developing any of the diseases (suffering from any of the conditions) included in the list prescribed by the Government of the Republic of Armenia based on an opinion issued by an authorised body of the health sector of the Government of the Republic of Armenia;

(3) a citizen of the Republic of Armenia has left for a foreign state for the purpose of permanent residency and his citizenship of the Republic of Armenia has been terminated;

(4) a foreign contributor working in the Republic of Armenia returns to his or her country of permanent residence.

(5) the voluntary pension fund is terminated (liquidated) and the contributor has not submitted a request in compliance with the Law of the Republic of Armenia “On investment funds” to acquire other voluntary pension fund units (stocks) at the expense of the assets subject to distribution;

(6) the bank or insurance company is in the process of liquidation, or the insurance company has transferred the relevant insurance portfolio to another insurance company;

(7) more than 10 years have passed from the day of paying the first pension contribution to the pension fund, bank or insurance company, placing the first deposit or paying the first insurance premium.

9. A maximum amount of the redemption fee, fine and/or interests provided for by part 8 of this Article may be prescribed by the relevant regulatory legal act of the Central Bank.

Article 62. Provision of voluntary pensions by insurance companies

1. Insurance companies may offer only “defined pension” schemes.

2. Except for cases provided for by Article 70 of this Law, a person deemed to be a policyholder by a voluntary funded pension insurance contract shall be entitled to demand at any time that the insurance company transfer the liabilities of the insurer provided for by the given contract to the insurance company of their choice, transferring to the latter the paid insurance premiums minus expenses for insurance

contract conclusion, execution and transfer. The transfer of insurance premiums provided for by this part shall not be considered as receipt thereof by the contributor in a lump sum.

3. A person may receive the voluntary pension from the insurance company in the following forms:

(1) a lump-sum payment;

(2) lifetime or term payments (annuity).

4. Insurance companies shall be obliged to have an actuary with a relevant qualification prescribed by the legislation of the Republic of Armenia or use the services of such actuary based on a contract.

5. Insurance companies shall dispose of and use voluntary pension funds pursuant to the requirements prescribed by the Law of the Republic of Armenia “On insurance and insurance activities”. The regulatory legal acts of the Central Bank may prescribe requirements for companies offering “defined pensions” scheme as regards their technical reserves and investments.

6. Insurance companies shall pay the pensions as prescribed by this Law and the voluntary pension (annuity) contract. By its regulatory legal acts the Central Bank may prescribe compulsory requirements for the voluntary pension (annuity) contract, as well as for the contract between the employer and the insurance company as provided for by Article 70 of this Law, and the insurance companies shall be obliged to include those requirements in the contracts.

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

Article 63. Provision of voluntary pensions by banks

1. Banks may offer only “funded pension deposits” voluntary pension schemes.
2. The contributor shall be entitled to request the bank at any time to transfer the amount of his or her funded pension deposit or part of it to his or her funded pension deposit account opened with another bank. The maximum amount of the fee charged by the bank for the transfer provided for by this part shall be prescribed by the Central Bank and it shall depend on the period of the contributor’s contribution to the pension scheme provided by the transferring bank.
3. When a bank is in the process of liquidation, it shall, before paying the amount of the contributor's funded pension deposit to the contributor in a lump sum, offer him or her in writing and in a proper manner to transfer that amount without charging any fees to his or her funded pension deposit account opened with another bank. In case the contributor does not submit a relevant request within ten working days upon receiving the offer prescribed by this part, the relevant funds shall be paid to the contributor in lump-sum.
4. The transfer of the amount of the pension deposit provided for by parts 2 and 3 of this Article shall not be deemed to be received by the contributor in a lump sum.
5. A contributor may receive the voluntary pension from the bank in the following forms:
 - (1) a lump-sum payment;
 - (2) periodic term payments.
6. Upon attaining the pension age a contributor shall be entitled to request the bank to transfer the amount of the funded pension deposit or part of it to an insurance company for the purpose of concluding an annuity contract. The bank shall carry out non-cash transfer of the amount of the funded pension deposit or part of it to the insurance company specified by the contributor, in compliance with the

procedure and time limits prescribed by the funded pension deposit contract, but not later than within 10 working days upon receipt of the application from the contributor. In case of carrying out the transfer of the deposit amount or part of it as provided for by this part, no cash payments shall be made to the contributor with regard to the transferred amount.

7. Banks shall pay the pensions as prescribed by this Law and the funded pension deposit contract. By its regulatory legal acts the Central Bank may prescribe compulsory requirements for the voluntary funded pension deposit contract, and the banks shall be obliged to include those requirements in the contracts.

8. An heir of a deceased contributor shall be entitled to demand at any time the amount of the funded pension deposit or part of it from the bank by submitting the application provided for by the deposit contract and the inheritance certificate. The bank shall be obliged to return the amount of the funded pension deposit or its remaining portion to the heir of the deceased contributor at the heir's first request.

Article 64. Provision of voluntary pensions by voluntary pension funds

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

2. By paying voluntary pension contributions a person shall acquire units of the given voluntary pension fund in quantities corresponding to the contributions paid, based on the placement price for the given fund unit. The acquired units certify the right of the contributor to hold units in the assets of the given fund.

3. A voluntary pension fund contributor may exchange his or her voluntary pension fund units solely with units of another voluntary pension fund. A pension fund contributor shall be entitled to exchange his or her voluntary pension fund (previous pension fund) units with units of another 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, organise the redemption of the units belonging to the contributor and the transfer of the funds to the new pension fund pursuant to the procedure and within the time limits prescribed by the rules of the fund, but not later than within 10 working days upon receipt of the application from the contributor.

4. The exchange of voluntary pension fund units managed by different managers shall be carried out at the repurchase (redemption) prices determined for the day (hour) of submitting the exchange request and at the placement prices determined for the day (hour) of placement of new units.

The voluntary pension fund units shall be repurchased (redeemed) at the first repurchase price for of the give unit calculated and announced upon the submission of the relevant request by the contributor as prescribed by Article 29 of the Law of the Republic of Armenia “On investment funds”.

Voluntary pension fund units shall be placed at the first placement price for the given unit (stock) calculated and announced upon the submission of the relevant request for its acquisition (subscription) or — in case the payment for the unit is made later — upon making the relevant payment as prescribed by Article 29 of the Law of the Republic of Armenia “On investment funds”, unless it is provided by the rules (charter) of the voluntary pension fund that the units shall be placed at the latest placement price calculated and announced as of the moment of submission of the relevant request for its acquisition (subscription) or — in case the payment for the unit is made later — as of the moment of making the relevant payment as prescribed by Article 29 of the Law of the Republic of Armenia “On investment funds”.

5. In the event the redemption (repurchase) of the previous pension fund units subject to exchange pursuant to part 3 of this Article has been suspended, the

exchange of the units shall be carried out immediately after the expiry of the period of suspension of the redemption (repurchase) of the units. Where as a result of exchange of units the placement of units subject to acquisition has been suspended, the manager shall reject the application prescribed by part 3 of this Article, notifying the contributor about the reasons for rejecting the application.

Redemption (repurchase) of the previous pension fund units subject to exchange as provided for by this part may be suspended only in cases prescribed by part 10 of Article 35 of this Law.

6. The rules of a voluntary pension fund may provide for a minimum period for a contributor to contribute to that fund, only upon expiry of which the contributor may request exchange (next exchange) of the acquired units in accordance with part 3 of this Article. The period prescribed by this part shall not exceed 2 years.

7. For the purpose of receiving pensions from a voluntary pension fund, as well as in cases provided for by part 10 of this Article, a contributor shall submit an application to the relevant pension fund manager. The application form and the information contained therein shall be prescribed by the rules of the pension fund.

8. Pensions by voluntary pension funds shall be paid in accordance with the procedure and conditions prescribed by this Law, regulatory legal acts of the Central Bank and the rules of the voluntary pension fund.

9. A contributor may receive a pension from a voluntary pension fund in the following forms:

(1) a lump-sum payment;

(2) periodic term payments; moreover, pension fund units (stocks) redeemed for the payment of a pension in the form of periodic term payments shall not quarterly exceed 10 per cent of the given pension fund units belonging to a person as of the moment of making the first periodic term payment, whereas the term for making periodic term payments from the given voluntary pension fund may not be less than 3 years.

10. Upon attaining the pension age, a contributor shall be entitled to request redemption of the voluntary pension fund units and transfer of the funds or part thereof generated as a result of redemption to an insurance company for the purpose of concluding an annuity contract. The current pension fund custodian shall organise the redemption of the units belonging to the contributor and transfer of the funds or part thereof generated as a result of redemption to the insurance company specified by the contributor within 10 working days upon receipt of the application prescribed by part 7 of this Article. In the event of redemption of the pension fund units provided for by this part and transfer of the funds or part thereof generated as a result of redemption to the insurance company, the pension fund shall make no payments to the contributor with regard to the amount transferred to the insurance company.

11. In case of death of a pension fund contributor, the heir shall be entitled to submit an application for redemption of the inherited pension fund units and receipt of the funds generated as a result of redemption in a lump sum to the pension fund manager. The heir shall be obliged to attach a copy of the inheritance certificate to the application. The form of the application and the procedure for its submission shall be prescribed by the rules of pension fund.

12. After the submission of the application prescribed by part 11 of this Article, the pension fund manager shall, within 10 working days upon receipt of the application, carry out the redemption of the pension fund units and the lump-sum payment of the funds generated as a result of redemption.

13. The pension fund manager shall, for the management of voluntary pension fund, charge honorarium from the voluntary pension fund assets in the amount and as prescribed by the rules of the given pension fund.

14. The maximum amount of payments (including the manager's honorarium prescribed by part 13 of this Article and the custodian's honorarium) made at the expense of the voluntary pension fund assets, as well as directions of expenses

covered at the expense of the assets of a voluntary pension fund made for the management of that fund and the maximum amounts those expenses shall be prescribed by the Central Bank.

15. The rules of the pension fund — except for cases of redemption of the pension fund units for the purpose of receiving a pension, termination (liquidation) of the pension fund and transferring the management of the pension fund without its consent to another pension fund manager, may prescribe a fee for redemption of pension fund units, which shall be directly prescribed by the rules of the given pension fund, and may not exceed the amount confirmed by the Central Bank.

Article 65. Personalised record-keeping in “defined pension contributions” voluntary pension scheme

1. Voluntary pension funds shall be obliged to maintain personalised records for each contributor pursuant to the principles prescribed by parts 1, 3 and 4 of Article 5 of the Law of the Republic of Armenia “On personalised record-keeping of income tax and funded contributions”.

2. An individual account shall be opened for each contributor of the “defined pension contributions” scheme to record the units of the current pension fund belonging to the contributor.

3. A voluntary pension fund shall be obliged to provide the contributors on a regular basis and not less than once a year with information on the data of the previous calendar year reflected in their individual accounts, in compliance with the procedure and within the time limits prescribed by the rules of the pension fund.

4. The annual information referred to in part 3 of this Article shall be submitted to the contributor in paper form, provided that the contributor has not mentioned another preferable option.

5. The annual data prescribed by part 3 of this Article and covering the previous year shall be submitted to the contributor free of charge not later than April 15 of the following year.

Article 66. Principles of investment of voluntary pension fund assets

1. Voluntary pension fund assets may be invested exclusively in compliance with the requirements of this Law, the regulatory legal acts adopted on the basis of this Law and the rules of the fund.

2. For the purpose of maximising the efficiency of the investments for the contributors of the voluntary component of the “defined pension contributions” scheme, the investments of voluntary pension funds shall be based on the following principles:

- (1) security and profitability of assets of voluntary pension funds;
- (2) diversification of risks;
- (3) ensuring equivalent liquidity.

3. Investment of voluntary pension assets in the “defined pension contributions” scheme for purposes and based on principles other than those referred to in parts 1 and 2 of this Article shall be deemed violation of obligations assumed by a pension fund manager.

Article 67. Permissible investments of voluntary pension fund assets

1. Voluntary pension fund assets may be invested in the Republic of Armenia and abroad.

2. Within the Republic of Armenia, voluntary pension fund assets may be invested in the following assets:

- (1) bank accounts and deposits, provided that 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 or the communities of the Republic of Armenia;
- (3) securities authorised for regulated markets operating in the Republic of Armenia;
- (4) securities issued by investment funds which are controlled by the Central Bank;
- (5) derivative instruments solely for the purpose of hedging.

3. When invested abroad, voluntary pension fund assets may be invested in the following:

- (1) deposits and bank accounts of financial organisations licensed and controlled by the authorised body exercising control over the banking system of the OECD or EU member states;
- (2) securities issued or fully guaranteed by the OECD or EU member states, central banks of the OECD or EU member states;
- (3) securities issued or fully guaranteed by communities in OECD or EU member states;
- (4) securities authorised for regulated markets registered and controlled by the authority exercising control over the capital market of the OECD or EU member states;
- (5) units (stocks) of investment funds registered and controlled by the authorised body exercising control over the capital market of the OECD or EU member states;
- (6) securities of the Russian Federation meeting the criteria prescribed by the Central Bank;
- (7) derivative instruments solely for the purpose of hedging.

The Central Bank may prescribe a list of other countries where voluntary pension fund assets may be invested.

Article 68. Restriction on investment of voluntary pension fund assets

1. Voluntary pension fund assets may be invested in the financial instruments listed in Article 67 of this Law and are subject to quantitative and currency restrictions prescribed by the Central Bank.
2. Voluntary pension fund assets may not be invested in the following:
 - (1) securities issued by the manager and custodian of the given pension fund, as well as by persons affiliated thereto, except for the case stipulated by part 2 of Article 37 of the Law of the Republic of Armenia "On investment funds";
 - (2) securities issued by the auditor of the manager or custodian of the given pension fund;
 - (3) securities issued by persons providing advisory services to the manager or custodian of the given pension fund;
 - (4) derivative instruments, except for investments for the purpose of hedging;
 - (5) assets the alienation whereof is prohibited or restricted;
 - (6) immovable property or other physical assets (works of art, commemorative coins, icons, antiques, expensive cars, etc.).
3. Securities included in voluntary pension fund assets may not be sold outside regulated markets 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 custodian;

(4) persons affiliated to those referred to in points 1-3 of this part.

4. The pension fund manager and custodian may not make borrowings from each other or guarantees the fulfilment of each other's obligations.

5. Pension fund assets may not be pledged or serve as cover assets for other liabilities. The requirement provided for by this part shall not restrict the right to enter into repo (reverse repo) transactions at the expense of pension fund assets, provided that it is stipulated by the rules (charter) of the pension fund and such a transaction does not result in violation of limits provided for by this Law.

A voluntary pension fund manager may take short-term borrowings with a maturity of up to 3 months in an amount not exceeding 10 per cent of the given voluntary pension fund assets, provided that such a transaction does not result in violation of limits provided for by this Law.

6. The voluntary pension fund manager shall be obliged to take measures to ensure compliance of pension fund investments to the requirements of this Law and to ensure maximum possible profitability, preserve and save pension fund assets, where the provisions of parts 1, 2 or 3 of this Article have been violated as a result of the following:

(1) changes in market prices constituting a basis for valuation of assets;

(2) changes in foreign currency rates;

(3) changes in economic and organisational relations between organisations in stocks whereof pension fund assets have been invested;

(4) other circumstances not depending on the will and beyond the control of the pension fund manager.

7. The compliance of investments as provided for by this Law shall be completed no later than within 6 months starting from the day on which the violation occurred or was revealed as a result of valuation of assets.

8. A pension fund manager shall be obliged to exercise the rights attributed to the securities included in the fund assets exclusively in the interests of the contributors.

(Declare part 1 of Article 68 as contradicting the requirements of point 1 of Article 83.5 of the Constitution of the Republic of Armenia and invalid upon Decision SDVo-1224 of 7 July 2015)

Article 69. Licensing of voluntary pension activities

1. Banks, insurance companies, voluntary pension funds (pension fund managers) may offer voluntary pension schemes based on a licence issued by the Central Bank pursuant to the Laws of the Republic of Armenia “On banks and banking”, “On insurance and insurance activities” and “On investment funds” respectively.

Article 70. Supplementary (corporate) pensions acquired by employer

1. Employers may acquire voluntary pension schemes from voluntary pension fund managers or insurance companies for the purpose of providing supplementary (corporate) pensions to their hired workers.

2. Employers must avoid discriminatory conduct in provision of supplementary pensions to their workers. Corporate (supplementary) pensions may be offered to all the staff or to specific categories (including those based on the number of years a worker has worked for the employer) of employees of the given employer. It shall be prohibited to provide supplementary pensions exclusively to the executive staff of an employer. Within any specific category of workers all workers shall be offered equal and uniform conditions.

3. Employers shall be prohibited from concluding the contract provided for by part 1 of this Article with insurance companies or pension fund managers affiliated to them.

4. Acquisition of a supplementary funded pension scheme provided by the employer may also be prescribed by a collective employment agreement.

5. Voluntary pension contributions for the purpose of receiving supplementary (corporate) pensions may be paid only by employers or by both employers and workers.

6. It shall be prohibited to force an employee to contribute or continue his or her contribution to a voluntary pension scheme acquired by an employer by imposing it as a requirement for working with that employer. It shall be prohibited to make withdrawals or allocations with regard to contributions to a voluntary pension scheme from an employee's salary or other payments equivalent thereto without having the written consent of the employee.

7. Before attaining the pension age, a contributor of a voluntary pension scheme acquired by the employer shall be entitled to submit a request for paying his or her accumulated funds (net asset value of pension fund units (stocks) belonging to him or her, paid insurance premiums, other reimbursements minus expenses made for insurance contract conclusion and execution) in a lump sum only in cases provided for by points 1-6 of part 8 of Article 61 of this Law, as well as points 1 and 3 of part 8 of this Article, provided that at least two years have passed from the day of paying the first pension contribution or insurance premium.

8. A contributor of voluntary pension fund acquired by an employer shall be entitled to the right provided for by part 2 of Article 62 or part 3 of Article 64 of this Law in the following cases:

(1) upon terminating the employment contract with the employer;

(2) upon cancelling the relevant contract concluded between the employer and the given pension fund (its manager) or insurance company;

(3) upon liquidation of the employer.

CHAPTER 14

LIABILITY FOR VIOLATION OF THIS LAW

Article 71. Liability for non-payment or late payment of social contributions

1. Persons responsible for paying social contributions pursuant to this Law shall be liable for non-payment or late payment of social contributions.

In case of not paying social contributions within the period prescribed the contributor (the person responsible for paying social contributions for him or her, i.e. the tax agent) shall pay a penalty for each day of default in the amount of 0.15 per cent of the overdue sum of social contributions.

The penalty provided for by this part shall apply to overdue sums of social contributions for the whole period of default, but for not more than 365 days.

Penalties charged for failure to pay social contributions or for late payment thereof shall be transferred as a funded allocation to the registrar of contributors, at the expense of which units of the compulsory pension fund to which funded allocations are made for (for the benefit of) the contributor as of that moment shall be acquired.

The compulsory pension fund units of the contributor at the expense of the charged (paid) penalties shall be determined based on the proportion of the amount of the social contributions calculated for the given contributor in the total amount of the social contributions deducted (paid) from the income of the contributors (including the income revealed through inspections).

2. The amounts of social contributions not deducted in time (or under-deducted amounts) according to the provisions of this Law (including when concealing or underreporting an object for calculating social contributions referred to in part 3 of this Article) may be deducted from the contributor by the tax agent as prescribed by the legislation of the Republic of Armenia, for not more than the last three years.

3. In case of concealing or underreporting an object for calculating social contributions, the amount of social contributions calculated (by the tax authority) against the object for calculating social contributions which has been concealed or underreported shall be charged from the person paying social contributions (tax agent) as prescribed by this Law.

Failure to report an object for calculating social contributions in the social contributions calculation reports submitted to the tax authority, the underreporting thereof or reporting false data on the absence of an object for calculating social contributions shall be deemed to be concealing or underreporting an object for calculating social contributions.

Persons paying social contributions (tax agents) shall, within 10 days after the tax authority submits the inspection act, pay the amounts of social contributions from the object for calculating social contributions which has been concealed or underreported, as well as the penalties calculated by the inspection act in accordance with part 1 of Article 71 of this Law. No penalties shall be calculated for the mentioned 10 day period against the amounts of social contributions imposed the inspection act. In case the amounts of the social contributions imposed by the inspection act are not paid or are paid partially after the end of that period, the mentioned period of 10 days shall not be taken into account when resuming the calculation.

4. In case of delay from the period prescribed for the payment of social contributions, the tax authority shall adopt a decision on charging the overdue amount from the person liable for calculating and transferring (charging) social contributions

in accordance with this Law (hereinafter referred to as “person paying social contributions”) and shall duly notify the latter thereof.

Before the decision on charging the amount becomes unappealable, custody may be imposed on the property of the person paying social contributions. To ensure fulfilment of liabilities with regard to incomes controlled by the tax authority, custody shall be imposed by the tax authority in cases and in accordance with the procedure prescribed by Article 30.2 of the Law of the Republic of Armenia “On taxes”.

In case the decision on charging the amount by the person paying social contributions becomes unappealable, the amount shall be charged as prescribed by Chapter 13 of the Law of the Republic of Armenia “On fundamentals of administrative action and administrative proceedings”.

In case the person paying social contributions repays its liabilities during the process of charging, the decision on charging the amount shall be repealed and the process of charging shall be terminated.

For the purpose of charging the liabilities not fulfilled by the person paying social contributions with regard to social contributions controlled by the tax authority, the tax authority shall be entitled to obtain, under a contract on assignment of the right to claims against the debtor (debtor), the right to claims belonging to the person paying social contributions and to direct the amounts received at the repayment of the liabilities of the person paying social contributions.

Moreover, the right to claims shall be transferred to the tax authority to the extent of the liabilities (including arrears and penalties calculated as prescribed by the law of the Republic of Armenia with regard thereto) existing at the moment of the transfer of the right, and when implementing the claims, the liabilities shall be recalculated taking into account the time limits prescribed by the law of the Republic of Armenia for calculation of penalties with regard to social contributions.

As a measure to secure the fulfilment of liabilities with regard to social contributions controlled by the tax authority, the tax authority and the person paying social contributions may conclude a contract of pledge as prescribed by the Civil Code of the Republic of Armenia. In case of conclusion of a contract of pledge, a schedule for gradual repayment of liabilities shall be drawn for the purpose of repaying the liabilities.

(Article edited by HO-199-N of 17 December 2015)

Article 72. Liability of pension fund manager, custodian, account operator and registrar of contributors

1. The pension fund manager, custodian, account operator and registrar of contributors shall perform their functions in good faith, in the interests of the contributors. In financial and other similar matters they shall be obliged to act reasonably, as competent persons with expertise. In case of lack of such expertise, they shall use the services of relevant specialists.
2. The pension fund manager, custodian, account operator and registrar of contributors shall, in case of delegating the performance of part of their functions to another person, continue bearing liability for the performance of the delegated functions in a proper manner and good faith.
3. The Central Bank may impose the sanctions provided for by this Chapter against the pension fund manager, custodian, account operator or registrar of contributors, provided that they:
 - (1) made or permitted investments or other expenses in violation of this Law;
 - (2) concluded in violation of this Law transactions with regard to provision of goods or delivery of services;

- (3) failed to perform or improperly performed the obligations provided for by contracts related to compulsory pension fund assets;
- (4) concluded a contract with an affiliated person within the framework of legal relations restricted or prohibited by this Law;
- (5) used compulsory pension fund assets or information thereon for their own benefit or for the benefit of persons affiliated to them;
- (6) violated the rules on personalised record-keeping, the procedure for or conditions of submission or publication of financial or other reports or submitted in those documents false, incomplete or unreliable data;
- (7) failed to fulfil or improperly fulfilled the assignments issued by the Central Bank as prescribed by this Law;
- (8) submitted unreliable, false or incomplete information to the Central Bank for obtaining state registration and/or licence;
- (9) violated requirements provided for by this Law and other regulatory legal acts adopted on the basis of this Law.

Article 73. Liability of executive officers of pension fund manager, custodian, account operator and registrar of contributors

1. The executive officers of the pension fund manager, custodian, account operator and registrar of contributors shall during the performance of their duties act in the interests of the contributors, and exercise their rights and perform their duties in good faith and reasonable manner.
2. The executive officers of the pension fund manager, custodian, account operator and registrar of contributors shall be liable for the damage caused to contributors as a result of their deliberate actions (omissions) in compliance with the legislation of the

Republic of Armenia. Where more than one executive officer of the pension fund manager, custodian, account operator and/or registrar of contributors committed the action causing damage, they shall be jointly liable therefor before the contributors.

3. The liability of executive officers of the pension fund manager, custodian and registrar of contributors shall include but not be restricted to the cases provided for by Article 74 and 77 of this Law.

Article 74. Sanctions for violation of this law

1. In cases prescribed by Article 72 of this Law, the Central Bank may, within a year from the day of revealing the violation, impose the following sanctions against the pension fund manager, custodian, registrar of contributors, their executive officers and the account operator:

(1) warning and assignment or assignments to eliminate the violation or avoid repetition of such violation in the future or take measures aimed at prevention of such violation in the future (hereinafter also referred to as “warning”);

(2) fine;

(3) depriving the executive officer or responsible person of the controlled person of the qualification certificate;

(4) revocation of the permission.

For one violation committed only one sanction may be imposed, except for the case when a fine is imposed alongside with warning.

2. The imposition of sanctions prescribed by this Article shall not exempt the pension fund manager, account operator, custodian and registrar of contributors and their executive officers from performing the duties provided for by law, other legal acts or contracts.

3. The Central Bank shall be obliged to publish on its Internet home page the decision on imposition of a sanction (sanctions) prescribed by this Article against the pension fund manager, custodian, registrar of contributors and their executive officers.

Article 75. Warning

1. By a warning the committed violation shall be recorded and the person having committed the violation shall be notified about the impermissibility of the violation.

2. A warning shall also provide for an assignment to eliminate the committed violation within the time limits prescribed by the Central Bank and/or avoid repetition of such violation in the future and/or a possibility to issue an assignment to take measures aimed at prevention of such violation in the future. An assignment to eliminate or avoid repetition of the committed violation or an assignment to take measures aimed at prevention of such violation in the future may also provide for termination and/or modification of the conditions of certain transactions and/or operations into which the pension fund manager, account operator, custodian and registrar of contributors may enter. Fulfilment of the assignment shall be compulsory for the entity having received the warning.

3. The warning may be imposed as a sanction in case of existence of any of the violations provided for by article 72 of this Law.

4. In case violations have caused property damage to contributors, the Central Bank shall for each violation adopt a decision on issuing a warning and reimbursing the damage (including the lost benefit) caused to contributors by the pension fund manager or registrar of contributors or custodian or account operator.

Article 76. Fine

1. In case of violation of this Law and/or other legal acts adopted on the basis thereof, where the violations and/or causes of violations have not been eliminated or cannot be eliminated by taking control measures (such as meetings, correspondence, explanatory works) aimed at remedying the state of affairs created with the person having committed the violation and/or after a warning has been issued against said person, the Chairperson of the Central Bank shall be entitled to adopt a decision on imposition of a fine against the person having committed the violation.

2. In case of violations as a result of which no property damage was caused to contributors but nonetheless the requirements for submission of reports as well as other requirements prescribed by this Law have been violated, the amount of the fine imposed for each violation may not be in excess of 1000 times the minimum salary, except for the cases of violation of provisions prescribed by parts 3 and 4 of Article 17 and Article 19 of this Law.

When determining the amount of the fine the authority in charge of imposing the fine shall take account of the following:

- (1) the amount of the fine previously imposed on other persons having committed a similar violation;
- (2) the nature of the violation (existence of intent, indifference or negligence);
- (3) existence and the size of the damage caused to other persons by the violation;
- (4) the extent of unjust enrichment taking into account compensations given to other persons;
- (5) whether the same person has previously committed or has been held liable for such or other violation, and the amount and nature of the previous violation;
- (6) the extent of the necessity to prevent such violations by the same and other persons in the future.

3. In case of violation of requirements prescribed by parts 2 and 4 of Article 17 of this Law, a fine of 3000 times the minimum salary shall be charged from the account operator or the executive officer — having committed the violation — of the account operator for each case concerned.

In case of violation of requirements prescribed by part 3 of Article 17 of this Law, a fine of up to 500 times the minimum salary shall be charged from the account operator or the executive officer — having committed the violation — of the account operator for each case concerned.

4. In case of violation of part 10 of Article 19 of this Law a fine of 5000 times the minimum salary shall be charged from the registrar of contributors or the executive officer thereof for each case concerned.

5. Fines imposed on a pension fund manager, custodian, account operator and registrar of contributors shall be charged from the funds of the latter (of the legal person), except when the account operator is a state body. Where the account operator is a state body, the fine shall be charged from the employee concerned having committed the violation.

6. Where the pension fund manager, custodian, account operator or registrar of contributors disagree with a fine imposed or its amount, the fine shall be charged by a court decision upon the claim of the Central Bank.

7. The amount charged in compliance with this Article shall be transferred to the State Budget.

Article 77. Revocation of the qualification certificate of executive officers of pension fund manager, custodian and registrar of contributors

1. An executive officer of a pension fund manager, custodian and registrar of contributors may be deprived of his or her qualification certificate upon the decision of the Central Bank, provided:

- (1) he or she deliberately violated the laws or the requirements of other legal acts;
- (2) when acting in an official capacity, he or she was engaged in activities which were unjustified and endangering the interests of contributors;
- (3) he or she impeded the actions of the Central Bank or its officers during the exercise of control;
- (4) he or she committed such actions or omissions as a result of which the contributor suffered or could have suffered considerable financial or other loss;
- (5) when acting in an official capacity, he or she committed such actions for his or her personal benefit or committed such omissions which contradict the rights or legitimate interests of contributors;
- (6) he or she acted unfairly or in bad faith when performing his or her official duties (including when performing his or her duties undertaken towards the pension fund manager, custodian or registrar of contributors and the clients thereof);
- (7) the executive officer of the pension fund manager, custodian and registrar of contributors failed to meet the qualification standards prescribed by the regulatory legal acts of the Central Bank;
- (8) failed to fulfil or has improperly fulfilled an assignment issued by the Central Bank;
- (9) in other cases provided for by law.

2. Upon the entry into force of a decision of the Central Bank on revocation of the qualification certificate of an executive officer of a pension fund manager, custodian and registrar of contributors of the qualification certificate, the powers of that person prescribed by this Law, other laws and legal acts, as well as by internal legal acts of the controlled person, shall be terminated.

Article 78. Revocation of permission of pension fund manager and prohibition of pension fund custody activities of the custodian

1. The permission of a pension fund manager may be revoked or a custodian may be prohibited from carrying out pension fund custody (hereinafter also referred to as “revocation of the permission”) in case of existence of the grounds provided for by point 8 of part 3 of Article 72 of this Law, in other cases prescribed by law, as well as in case where the sanction provided for by Article 76 of this Law has been imposed twice and more times within one calendar year, and the pension fund manager or custodian has failed to eliminate the consequences of the violation concerned within the time limits set by the Central Bank or has failed to take measures necessary for elimination thereof.

2. The Central Bank shall be entitled to revoke the permission granted to the pension fund manager where it becomes evident that false or unreliable data have been submitted for obtaining the permission.

3. The permission of a pension fund manager or custodian shall be revoked upon the decision of the Board of the Central Bank. The permission of a pension fund manager or custodian shall be revoked exclusively as prescribed by this Law and the Law of the Republic of Armenia “On investment funds”. Where there are other provisions, prescribed by other laws, relating to the revocation of the permission, the

provisions of this Law and the Law of the Republic of Armenia “On investment funds” shall apply.

4. In case a custodian commits violations prescribed by this Article, the Central Bank shall be entitled to issue an assignment for the pension fund manager to unilaterally terminate the contract concluded with that custodian within a reasonable time period.

Article 79. Publication of decision on revocation of permission of pension fund manager and custodian and legal consequences thereof

1. The decision of the Board of the Central Bank on revocation on grounds provided for by Article 78 of this Law shall be published immediately. The mentioned decision shall enter into force upon its publication, unless other time limits have been prescribed by the decision.

2. Upon the entry into force of the decision on revocation of the permission, the pension fund manager or custodian shall be deprived of the right to carry out activities of management and custody of assets of pension funds for a period prescribed by the decision but not less than for 10 years, except for transactions aimed at fulfilment of the obligations undertaken with regard to the current service, realisation of the funds and the final distribution thereof. The custodian shall be obliged to continue performing its duties prescribed by law, regulatory legal acts adopted on the basis thereof or the rules (charter) of the pension fund until the conclusion of a contract with the new custodian of the pension fund and transfer of the pension fund assets thereto.

3. The pension fund manager and the custodian shall be provided with a copy of the decision of the Board of the Central Bank on revocation of the permission within three days following its adoption. Appealing the decision of the Board of the Central

Bank on revocation of the permission to the court shall never during the entire period of court examination of the case suspend the effect of that decision.

Article 80. Settlement of disputes

1. Any complaint or inquiry by a contributor or stakeholder with regard to the pension account under this Law shall be submitted in writing to the tax authority, which shall consider such complaints or inquiries within at most 30 days and notify the contributor or interested person in writing about its decision and the grounds for such decision or within 3 working days following the receipt of the inquiry (complaint) forward it to the competent body.
2. The contributor or stakeholder may submit a claim to the financial system mediator irrespective of the fact of submitting the inquiry or complaint provided for by part 1 of this Article to the tax authority, on grounds and in accordance with the procedure prescribed by the Law of the Republic of Armenia “On the financial system mediator”.
3. Where the registrar of contributors transfers funds from the pension account of a contributor to an insurance company for the purpose of purchase of an annuity, any dispute arising from such transaction shall be settled as follows: any complaint by a contributor or stakeholder with regard to an annuity payment shall first be submitted to the governing body of the insurance company. The governing body shall consider such complaint within 10 days of receipt thereof and shall notify the contributor or stakeholder about its decision and the grounds for such decision in writing. The contributor or his or her authorised representative shall have the right to be present at the hearing of the matter. If not satisfied with the decision, the contributor or the stakeholder may use all available legal remedies provided for by the Law of the Republic of Armenia “On insurance and insurance activities”.

Article 81. Transitional provisions

1. A person shall be entitled to refrain from the obligation of paying social contributions for the period starting from the moment of the entry into force of this Law until 1 July 2017 through submitting a relevant application to the tax authority until 25 December 2014. The applications submitted after 25 December 2014 shall be null and void. A hired worker (except for a hired worker of an employer exempted from obligations of a tax agent) shall submit his or her application through the employer. The person referred to in this part shall cease paying social contributions:

- (1) from salary, incomes received from types of activities subject to taxation through fixed payments prescribed by the Law of the Republic of Armenia "On fixed payments" or those included in the list of Annex 7 of the Law of the Republic of Armenia "On licence fees" or those subject to taxation through turnover tax in accordance the Law of the republic of Armenia "On turnover tax", starting from the 1st of the month following the month of submission of the relevant application;
- (2) from entrepreneurial incomes, starting from 1 January of the year when the relevant application is submitted.

2. The following persons may not refrain from paying social contributions:

- (1) public servants, born before 1 January 1974, provided for by the Law of the Republic of Armenia "On public service of the Republic of Armenia"(except for commanding and non-commanding officers of the system of defence, police, republican executive bodies of national security and rescue service of Armenia, penitentiary officers and officers of the judicial acts compulsory enforcement service), hired workers of state administration institutions and community administration institutions, their structural and separated subdivisions, the Central Bank, state non-commercial and community non-commercial organisations;
- (2) persons born before 1 January 1974 who have acquired the status of hired worker, have been appointed in the position of notary public, have become an

individual entrepreneur after 1 July 2014 and who were not hired employees, notary public or individual entrepreneur as of 1 July 2014;

(3) persons who have submitted an application to resume paying social contributions provided for by part 4 of this Article.

3. Persons having submitted the application provided for by part 1 of this Article shall pay social contributions starting from 1 July 2017.

4. Where a person having submitted the application provided for by part 1 of this Article decides to resume paying social contributions before 1 July 2017, he or she shall submit an application to the tax authority as prescribed by part 1 of this Article. In this case the social contributions shall be paid starting from the month following the submission of the application.

5. The amount of social contributions being paid by persons born on 1 January 1996 and after referred to in point 2 of part 2 of this Article shall be deducted from the amount of income tax to be paid by him or her until 1 July 2017.

6. Where persons born before 1 January 1964 prescribed by point 2 of part 1 of Article 5 of this Law submit an application for selection of the pension fund before 1 July 2017, the funded allocations for him or her (in his or her benefit) shall be made in the amount provided for by part 2 of Article 9 of this Law (in accordance with the procedure prescribed for persons prescribed by point 1 of part 1 of Article 5 of this Law).

7. The provisions of this Law on changing pension funds, inheriting pension fund units, as well as provisions on receiving the funds available on the pension account shall be enter into force from 1 July 2015.

8. The maximum threshold of the object for calculating social contributions provided for by part 6 of Article 6 of this Law shall apply from 1 July 2020. Until 1 July 2020:

(1) the maximum monthly threshold of the object for calculating social contributions shall be AMD 500 000;

(2) the maximum annual threshold of the object for calculating social contributions shall be AMD 6 000 000.

9. The functions of the compulsory pension fund custodian shall be performed by the registrar of contributors until the Government of the Republic of Armenia adopts a relevant decision. The use of a pension fund's bank account during the period mentioned in this part shall be made upon the consent of the registrar of contributors.

10. The investment restrictions provided for by parts 1-16 of Article 39 of this Law shall apply to compulsory pension funds operating as of the moment of entry into force of this Law starting from 1 July 2015.

11. The application provided for by part 3 of Article 13 of this Law shall be submitted starting from 1 September 2014.

12. Part 10 of Article 6 and part 3 of Article 9 of this Law shall enter into force from 1 January 2015.

13. The procedure for re-calculating the non-repaid liabilities with regard to funded contributions or partially paid liabilities with regard to funded contributions which have occurred as a result of legal relations formed after 1 January 2014 shall be prescribed by the authorised state body of the financial sector of the Government of the Republic of Armenia. The non-repaid liabilities with regard to funded contributions or partially paid liabilities with regard to funded contributions which have occurred as a result of legal relations formed after 1 January 2014 shall be re-calculated until 31 December 2014.

Annex
ON FUNDED PENSIONS
LAW OF THE REPUBLIC OF ARMENIA

METHODOLOGY FOR INFLATION ADJUSTMENT OF TOTAL AMOUNT OF SOCIAL CONTRIBUTIONS MADE BY CONTRIBUTOR

1. The adjustment for inflation with regard to social contributions paid for the whole period during which a contributor has paid social contributions shall be calculated by the following formula:

$$PC_{\text{total adjusted for inflation}} = \sum_{n=1}^N \left[PC_n * \prod_{m=n}^{N-1} (1 + i_n) \right]$$

where:

- (1) $PC_{\text{total adjusted for inflation}}$ is the value — adjusted for inflation — of social contributions made for the whole period during which the contributor has paid social contributions;
- (2) N is the number of the years during which the contributor has paid social contributions;
- (3) PC_n is the amount of the social contributions paid by the contributor during the n -th year as of the end of the year;
- (4) i_n is the official indicator — expressed in units — of the average annual inflation rate for the year corresponding to the n -th year. Moreover, n shall change with regressive calculation of years.

2. The social contributions paid for the year during which the contributor submitted the application for receipt of pension prescribed by part 3 of Article 49 of the Law shall not be adjusted for inflation in the formula prescribed by part 1 of this Annex. In case when the during adjustment for inflation of the social contributions paid by the contributor, the official indicator of the average annual inflation rate is not yet available, the official indicator of the annual average inflation rate for the previous year shall serve as a basis.

3. The average inflation indicator published by the National Statistics Service of the Republic of Armenia for a given year shall be deemed to be the official indicator of the average annual inflation rate used in this Annex.

(Law edited by HO-67-N of 21 June 2014)

**President
of the Republic of Armenia**

S. Sargsyan

30 December 2010

Yerevan

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