

Republic of Armenia

Law on Asset Securitization and Asset Backed Securities

Chapter 1 General Provisions

Article 1. The Subject of Regulation of the Law

This law regulates relations arising with respect to securitization of assets, issuance, circulation, and redemption of asset backed securities, establishment of Securitization Funds, regulation of activities of Securitization Funds, suspension of activities of Securitization Funds, bankruptcy, liquidation of Securitization Funds, activities of Securitization Fund Managers and supervision over securitization process.

Article 2. Securitization Legislative Framework

1. Asset securitization relations shall be regulated by this law, other statutory acts adopted on its basis, the Republic of Armenia Law “On Securities Market”, the Republic of Armenia Civil Code and other laws.

2. This law shall not restrict the right of an individual to issue securities backed by collateral or in any other way, in conformity with provisions and procedure established by the Republic of Armenia legislation.

Article 3. Main Concepts Used in Law

1. The following main concepts are used in this law:

assets: cash funds and (or) rights of claim towards them, and (or) other financial assets among the types of assets defined by the RA “Law on Accounting”, which ensure or may ensure certain cash inflows;

asset backed securities: securities issued by Securitization Funds pursuant to this law which are secured by an asset pool and depend primarily for repayment on the flow of revenues from the assets in the asset pool;

resources for ensuring asset backed securities (asset pool): the unique collection of assets which secure a single issue of asset backed securities;

credit enhancement: legally enforceable schemes established under Article 31 hereof, with the view to increasing liquidity of asset backed securities, as well as the probability of fulfilling liabilities towards owners of those securities;

debtor: any person who is directly or indirectly obligated by contract to make payments on an asset to Securitization Fund;

issuer: Securitization Fund, which issues (ed) securities, or makes a proposal for issuing securities on its behalf;

investor: a person that owns asset backed securities, or plans to acquire asset backed securities;

authorized representative of investors: a person appointed by the Central Bank, who, in cases defined by this law, performs management of asset pool;

Originator: initial asset owner, who directly or indirectly sells assets to Securitization Fund;

participation certificate: non-equity nominal and non-voting investment security, which provides the owner with a right of share in proceeds received from asset pool, other receivable payments, or proceeds on sale of those assets;

Residual value: any income, revenues, profits or proceeds of the asset pool remaining after payment of the Securitization Fund's obligations to investors;

securitization: a process through which the Originator or the Seller sells assets to Securitization Fund, providing the latter with all the rights relating to the transfer of those assets, while Securitization Fund issues securities backed by the purchased assets and payments on them;

Seller: a person who sells to Securitization Fund assets acquired from various Originators. The Seller can be an Originator, a bank, a credit organization, or an investment company;

Servicer: a bank, or a credit organization, or other commercial company complying with provisions of this law, which carries out collection and accounting of payments on assets, transfers them to Securitization Fund, or provides other services relating to assets, as established under the service contract, which do not constitute an authority provided by this law to Securitization Fund Manager, or Depository.

Originator or Seller can be Servicers.

Servicing process may involve:

a) **Primary Servicer** - the Servicer responsible for the entire asset pool, to which multiple Secondary Servicers may report;

b) **Secondary Servicer** - a Servicer responsible for a portion of the asset pool, which reports to a Primary Servicer;

c) **Replacement Servicer** - A Servicer that has agreed with the Special Purpose Company to assume responsibility for servicing the assets in case the Primary Servicer is removed or otherwise unable to perform its obligations under the servicing contract;

Depository: Central Depository;

Securitization Fund: non-commercial organization, which is established and registered as a securitization fund in conformity with this law;

Securitization Fund Manager: commercial organization, which carries out management of Securitization Fund in conformity with the procedure established by this law.

2. Other concepts defined in this law shall apply in the sense prescribed by the Civil Code of the Republic of Armenia and the Law "On Securities Market" of the Republic of Armenia

Chapter 2

Securitization Fund and Other Participants of Securitization Process

Article 4. Legal Status of Securitization Fund

1. Securitization Fund is a non-commercial organization established pursuant to this law, solely for purpose of carrying out securitization and issuance of asset backed securities.

2. Securitization Fund shall be considered established from the day of its registration by the Central Bank of the Republic of Armenia (hereafter referred as the Central Bank), in conformity with procedure prescribed by this law.

3. The name of Securitization Fund shall include the phrase “Securitization Fund” and shall not include the names of the Originator or the Seller.

4. The phrase “Securitization Fund“, or its derivatives may be used exclusively by persons duly registered at the Central Bank, their branches, representations, unless the law, or an international agreement provides them with the right to use the mentioned phrase, or if it is clear from the use of the phrase “Securitization Fund” that it does not relate to an activity stipulated by this law.

5. Securitization Funds cannot use in their name such misleading words, which may cause an incorrect perception of financial performance or legal status of a given Securitization Fund.

6. Persons without the respective registration of the Central Bank shall be prohibited from using the phrase ”Securitization Fund“, or its derivatives in advertisements, public offers, or in assisting to its advertisement in any manner, if it is evident that the use of the phrase ”Securitization Fund“, or its derivatives relates to activities of Securitization Fund prescribed by this law.

Article 5. Property of Securitization Fund

1. The following may be property of Securitization Fund:

1) inputs and (or) financial investments provided by founder (or founders) during the Securitization Fund foundation;

2) assets acquired with the view to issuing securities;

3) other resources established by this law.

Property transferred to Securitization Fund by founder shall be considered the ownership of Securitization Fund.

Property of Securitization Fund shall be used solely for purposes established under its Charter and may not be used for the benefit of its founders, members of Securitization Fund Board, Securitization Fund Manager, Servicer and Depository, except for indemnification of founders, members of Securitization Fund Board, and Securitization Fund Manager for fulfillment of their responsibilities, or in cases when the latter are owners of asset backed securities issued by Securitization Fund.

Article 6. Securitization Fund Expenses

1. Securitization Fund expenses are:

1) expenses on implementation of goals indicated in the Charter;

2) expenses on indemnification of founders, members of Securitization Fund Board, and Securitization Fund Manager for fulfillment of their responsibilities as well as expenses established under servicing contracts.

2. Securitization Fund expenses shall not exceed the value of Securitization Fund property, including difference between proceeds on assets acquired for securitization and liabilities on asset backed securities, which shall be calculated for each year.

Article 7. Securitization Fund Liabilities

1. Securitization Fund may not have any other liabilities in addition to those on asset backed securities, except payments to Originator or Seller against the acquisition of asset backed securities, liabilities against contracts on operations with derivative securities, and liabilities established under contracts on provision of services provided under this law.

Article 8. Establishment of Securitization Fund

1. Securitization Fund shall be established through foundation.

Securitization Fund founders may be legal persons, including Originator or Seller, as well as other commercial organizations.

2. Securitization Fund may not be restructured.

3. Securitization Fund may not have employees. For purposes of implementation of securitization activities, including asset management, Securitization Fund shall sign respective contracts with third persons, which may include Servicer, Originator, Seller, Securitization Fund Manager and Depository.

Article 9. Securitization Fund Charter

1. Charter is the constituent instrument of Securitization Fund, which shall establish:

1) Securitization Fund name;

2) Securitization Fund location place;

3) information about founder (s), such as full brand name of founders, state registration data, location address, etc.

4) initial price of Securitization Fund property, and sources of its formation, including contribution share of each founder;

5) Securitization Fund expenditure directions and volumes;

6) procedure on ownership and management of Securitization Fund property;

7) procedure on establishment of Securitization Fund bodies, number of members and their authorities and procedure on their decision making;

8) Securitization Fund liquidation procedure;

9) other provisions that do not disagree with this law and the Republic of Armenia legislation:

2. Securitization Fund shall submit to the Central Bank for registration any amendments made in its Charter in a manner and in conformity with procedure established by the Central Bank.

3. Within one month after the day of receiving documents for registration of amendments as per Article 2 hereof, the Central Bank shall register the amendments or reject their registration.

The deadline established in the first paragraph hereof may be suspended by the Central Bank Board decision, for the purpose of explanation of certain facts requested by the Central Bank, but not longer than for 6 months. Amendments shall be deemed registered, provided the Central Bank did not notify the respective person within one month about rejection of registration or suspension of the one month deadline.

4. The Central Bank shall register amendments if they do not disagree with laws and other legal acts and have been submitted in conformity with procedure and in a manner established by the Central Bank.

5. Amendments stipulated in this Article entry in force starting their registration by the Central Bank.

Article 10. Securitization Fund Management Bodies

1. Securitization Fund Management Bodies are:

1) Board of Managers – the highest Securitization Fund Management Body;

2) Securitization Fund Manager who carries out current management of Securitization Fund.

Article 11. Board of Managers of Securitization Fund

1. The number of members of Securitization Fund Board of Managers (hereafter referred as Board of Managers) shall be established by Securitization Fund Charter, but cannot be less than three.

2. Members of Board of Managers shall be appointed by founders of Securitization Fund in coordination with the Central Bank. The Central Bank shall establish procedure for the appointment of members of Board of Managers.

The following persons may not be members of Board of Managers:

- 1) the Manager or a participant of founders;
- 2) a person convicted for a crime of forethought;
- 3) a person debarred through an enured court decision of the right to hold a position in financial, banking, tax, customs, commercial, economic, or legal sphere;
- 4) an insolvent person with outstanding (not relieved) liabilities;
- 5) a person affiliated with founder(s);

3. Members of Board of Managers may be eligible for a bonus and (or) indemnification against expenses relating to fulfillment of responsibilities of a member of Board of Managers. The size and payment procedure of a bonus and (or) a indemnification shall be established by Securitization Fund Charter;

4. Members of Board of Managers shall be appointed for the period of activity of Securitization Fund. The authorities of a member of a Board of Managers may be early terminated by the Central Bank decision in case of detecting circumstances described in part 2 hereof during fulfillment of responsibilities; based on a report of a member of Board of Managers; and in case of a death of a member of Board of Managers.

In case of early termination of the authorities of its member, Board of Managers shall propose a new candidate, within ten days after coming into force of the Central Bank decision, or the death of a Board member. If the Board of Managers is not competent to take such a decision in its current membership form, the candidacy of the new Board member shall be proposed by the Securitization Fund Manager.

Article 12. Board of Managers Chairman

1. The Chairman of Board of Managers shall be elected by the Board of Managers from members of Board of Managers

The Chairman of Board of Managers shall:

- 1) arrange works of Board of Managers;
- 2) convene and preside at Board of Managers sessions;
- 3) arrange taking minutes of Board of Managers sessions.

Article 13. Board of Managers Sessions

1. Board of Managers sessions shall be convened at least once in three months. The procedure for convening and conducting the sessions shall be established by Securitization Fund Charter.

Board of Managers sessions shall be convened by the Chairman of Board of Managers at his, member of Board of Managers, Securitization Fund Manager, or external auditor request, made in writing.

2. Board of Managers sessions may be called in absentia, in conformity with the procedure established by Securitization Fund Charter. Board of Managers may take decisions at such session during which all the members may communicate through a phone connection, video bridge communication connection, or other type of communication facilities through the on-line mode. Such session shall not be considered a session in absentia (through correspondence).

3. The quorum of Board of Managers sessions shall be established by Securitization Fund Charter, but cannot be less than half of Board of Managers members. Board of Managers decisions shall be approved by the majority of voices of Board of Managers members present at the session, unless the Charter provides for a higher number of voices.

Each member of Board of Managers shall have only one voting voice. Transfer of voice and voting rights to another person (including to another member of Board of Members) shall not be allowed.

In case of equal votes, Chairman of Board of Managers shall have a decisive vote, unless envisaged otherwise by Chapter.

4. Securitization Fund Manager shall participate in Board of Managers sessions with the advisory vote.

5. At Board of Managers sessions, minutes shall be taken. Minutes shall be prepared within ten days after the end of session. Minutes shall indicate:

- 1) year, month, date, hour and place of the session;
- 2) session participants;
- 3) session agenda;
- 4) issues which were put on voting, and the results of voting per each member of Board of Managers participating at the session;
- 5) viewpoints of members of Board of Managers and other persons participating at the Board of Managers session;
- 6) decisions taken at the session.

Minutes of Board of Managers session shall be signed by all members participating at the session who shall bear responsibility for the correctness and reliability of information included in minutes.

The Chairman of Board of Managers shall conduct the sessions and sign decisions taken at them. The Chairman of Board of Managers shall bear responsibility for reliability of information included in the decisions.

Article 14. Board of Managers Authorities

Board of Managers shall:

- 1) approve internal acts regulating activities of Securitization Fund;
- 2) define asset management restrictions;
- 3) carry out monitoring of current and financial economic performance of Securitization Fund, as well as impose recurrent control over implementation of its decisions;
- 4) hear reports of Securitization Fund Manager with a periodicity established by Chapter;
- 5) elect and dismiss Securitization Fund Manager;
- 6) select a person performing audit of Securitization Fund;
- 7) approve Securitization Fund budget, annual financial reports and other reports of Securitization Fund;
- 8) in case of early termination of authorities of a Board of Managers member, submit to the Central Bank candidacy of a new Board member, in conformity with the procedure established by the Central Bank;
- 9) exercise other authorities established by Charter.

Board of Managers authorities shall not be transferred to another body.

Contract with Securitization Fund Manager shall be signed by the Chairman of Board of Managers.

Article 15. Securitization Fund Manager

1. Securitization Fund Manager is an investment company not engaged in originating, selling, or servicing activities, which shall carry out current management of Securitization Fund.

2. The Central Bank shall nominate Securitization Fund Manager and conditions relating to its activities through a statutory act.

3. Competencies of Securitization Fund Manager shall include authority to carry out management of Securitization Fund current activities, except issues which pursuant to this law and Charter are delegated to Board of Managers.

Article 16. Securitization Fund Manager Authorities

1. Securitization Fund Manager shall:

- 1) procure assets with the view to issuing asset backed securities;
- 2) issue asset backed securities;
- 3) carry out asset management;
- 4) sign service provision agreements with the view to servicing asset backed securities;
- 5) carry out any activities allowed by the Republic of Armenia legislation, which are necessary for exercising the authorities indicated in sub-clauses 1-4 of Article 1 hereof.

2. Securitization Fund Manager is prohibited by this law to carry out activities not defined by this law, the Central Bank statutory acts and the prospectus of asset backed securities.

3. Securitization Fund Manager may procure derivative securities exclusively for ensuring liquidity of asset group and securing initial value of assets included in asset group.

The Central Bank statutory acts can establish types of derivative securities which may be purchased by Securitization Fund and the maximum size of investments into derivative securities.

Article 17. Responsibility of Securitization Fund Manager and Board of Managers

1. While performing their liabilities, Securitization Fund Manager and members of Board of Managers shall act in interests of investors of asset backed securities, exercising their rights and fulfilling their responsibilities towards investors in good faith (fiduciary responsibility).

2. Securitization Fund Manager shall bear responsibility for claims presented with respect to Securitization Fund, if he fails to prove that the claims were the result of a failure of Board of Managers and (or) its members to fulfill their liabilities, or in case of their unsatisfactory fulfillment.

3. Third persons, with the exception of investors and parties of contracts signed with Securitization Fund in conformity with this law, may not present claims with respect to Securitization Fund assets prior to the full fulfillment of liabilities with respect to asset backed securities, if:

- 1) assets were sold to Securitization Fund at a fair market price;
- 2) the right of ownership over assets was transferred to Securitization Fund in a manner prescribed by law;
- 3) Originator or Seller are not competent to transfer, pledge, replace, receive back, repurchase, or use in any other way assets or proceeds on them without consent of the owner of asset backed securities.

Article 18. Securitization Fund Registration

1. For the purpose of registration, Securitization Fund shall submit to the Central Bank:

- 1) written request signed by founder (founders);
- 2) the decision of founder on establishment of Securitization Fund and approval of its Charter, or minutes taken at the Founders' Constituent Assembly;
- 3) at least three copies of Securitization Fund Charter approved by founder or Constituent Assembly;
- 4) economic action plan of Securitization Fund;
- 5) contracts signed with members of Board of Managers, and document containing information about members of Board of Managers, the form of which shall be prescribed by the Central Bank statutory acts;
- 6) invoice on stamp duty payment for registration;
- 7) other documents prescribed by the Central Bank legal statutory acts.

2. Within one month after receiving documents indicated under part 1 of this Article, the Central Bank shall register Securitization Fund or reject its registration.

3. The Central Bank can suspend one month deadline for registration of the application, with the view to verifying required information, until it receives the required information.

4. Securitization Fund shall be deemed registered, provided that the Central Bank did not notify founders within one month about rejection of registration, or suspension of the one month deadline.

5. Within three days after taking decision on registration of Securitization Fund, the Central Bank shall furnish Securitization Fund with the registration certificate.

6. Within five working days after taking decision on registration of Securitization Fund, the Central Bank shall notify thereof the competent state body performing registration of legal persons, so that the latter makes the respective note in the registration log.

Article 19. Grounds for Rejecting Registration of Securitization Fund

The Central Bank shall reject registration of Securitization Fund if:

- 1) Securitization Fund management procedure established by this law has been violated;
- 2) Securitization Fund Charter contradicts the law;
- 3) documents prescribed by the Central Bank statutory acts developed by this law and pursuant to this law have not been provided, or have not been fully provided;
- 4) provided documents contain unreliable or incorrect data;
- 5) professional skills and (or) qualifications of members of Securitization Fund Board of Managers do not meet criteria established by the Central Bank statutory acts;
- 6) Securitization Fund founder is insolvent or bankrupt, or is involved in liquidation or self-liquidation process;
- 7) in previous reporting year, Securitization Fund founder violated main economic standards established in relation to his activities; or the establishment of Securitization Fund through criteria prescribed by the Central Bank statutory acts will result in deterioration of its financial performance;
- 8) consolidated score of founder performance is below the level prescribed by the Central Bank.

Article 20. Originator and Seller

1. Originator may directly or through a Seller sell assets to Securitization Fund.

In case of existence of a Seller, the latter shall buy assets from Originator with the view to selling them to Securitization Fund.

2. The Central Bank statutory act shall establish provisions relating to Seller and his activities.

3. Originator or Seller has the right:

- 1) provide guarantees on asset quality and assume the responsibility of repurchasing or replacing assets which do not comply with the established quality criteria;
- 2) perform as an asset servicer, or sign with Securitization Fund at market conditions other contracts on provision of services;
- 3) provide credit enhancement in conformity with this law.

Article 21. Servicer

1. Servicer shall perform his duties in conformity with provisions of servicing contract.

2. While performing his duties, Servicer shall act in interests of investors of asset backed securities, exercising his rights and fulfilling his responsibilities towards investors in good faith (fiduciary responsibility).

3. Servicing contract shall provide for:

- 1) detachment of assets from other assets of Servicer and Servicer's liability to carry out their separate accounting;
- 2) Servicer's liability to carry out separate accounting for each asset group, or part of assets within each asset group;

3) in case of a bankruptcy of a Servicer or his failure to perform liabilities prescribed under servicing contract, termination of servicing contract initiated by Securitization Fund and appointment of a Replacement Servicer;

4) in case of termination of servicing contract, Servicer's liability to provide to Securitization Fund, or a Replacement Servicer appointed by it of all entries and documents in electronic form and (or) as a hard copy relating to asset cash returns and accounts, without any offsetting transfer;

5) fulfillment by Servicer of his responsibilities established under servicing contract for so long, until a Replacement Servicer is appointed;

6) other provisions established by the Central Bank statutory acts.

4. Provision of servicing activities may be subject to indemnification.

5. In case of appointing a Replacement Servicer, Securitization Fund shall provide all information that is necessary for Servicer to fulfill his responsibilities established under servicing contract.

6. The Central Bank statutory acts may prescribe additional provisions with respect to Servicer and his activities.

Chapter 3 Asset Group

Article 22. Sale of Assets to Securitization Fund

1. Sale of assets in the meaning of this law is sale of assets by Originator or Seller to Securitization Fund with the view to receiving payment - immediately or after allocation of asset backed securities.

2. Sale of assets to Securitization Fund includes transfer of assets, as well as all the respective contracts, rights, collateral, mortgage and other resources of covering liabilities, such as guarantees.

3. Contract on sale of assets shall contain a provision proclaiming that the title over asset shall be deemed transferred to Securitization Fund from the moment of signing the asset transfer deed, notwithstanding payment deadlines on purchased assets. In case if the sale of assets implies also transfer of title, it shall be deemed transferred to Securitization Fund from the moment of state registration of the aforementioned title.

4. Originator or Seller shall notify Debtors about sale of assets to Securitization Fund.

5. At the moment of signing asset sale contract Originator or Seller shall not be involved in insolvency, bankruptcy, and liquidation or self-liquidation proceedings.

Article 23. Requirements with Respect to Assets Included into Asset Group

1. An asset group may include such assets which are not burdened by claims of third persons towards them and are free from any limitations as of the day of their sale to Securitization Fund.

2. Establishment and use by Securitization Fund of loss provisioning funds on asset investment, classification of loans and receivables and formation of loss provisioning funds shall be carried out in conformity with norms prescribed by Republic of Armenian laws "On Banks and Banking Activity" and "On Profit Tax."

Article 24. Registration of Asset Group

1. Securitization Fund shall furnish the Central Bank with following documents for registration of asset group:

- 1) list of assets serving as resources of coverage for asset backed securities;
 - 2) documents certifying ownership of assets, included in the list of assets by the Securitization fund, as prescribed by this law;
 - 3) other documents provided by the Central Bank statutory acts.
2. Securitization Fund shall furnish the Central Bank with the list of assets together with the prospectus on issuance of asset backed securities (if the prospectus is required by procedure prescribed by law).
3. Within twenty days after receiving documents defined by part 1 hereof, the Central Bank shall register the list of assets provided by Securitization Fund or reject its registration.
4. With the view to verifying required information, the Central Bank may cancel the twenty day registration deadline, until receiving the necessary information.
5. The list of assets shall be deemed registered in case if the Central Bank does not registering them within twenty working days, or does not notify Securitization Fund about rejection of registration.
6. The Central Bank shall reject registration of the list of assets presented by Securitization Fund for securitization purposes, if the provided documents are incomplete, or contain incorrect or untrue information.
7. Registration of assets by the Central Bank is a state registration and any other registration of a right of claim over assets shall not be required.
8. Changes in asset group, conditioned by changes (or supplementing) of assets, shall be subject to the Central Bank registration in conformity with procedure on registration of asset group prescribed by this article.
9. The Central Bank shall create a register for asset group and prescribe procedure for receiving information on assets by beneficiaries from the register.

Article 25. Replacement or Supplementing of Assets Included in Asset Group

1. After registration of asset group, assets included in asset group may be replaced:
 - 1) if it is necessary to replace assets which do not correspond to quality criteria defined within the guarantee provided to Securitization Fund by Originator or Seller;
 - 2) in other cases established by the Central Bank statutory acts.
2. After registration of asset group, assets included thereof may be supplemented if:
 - 1) it is necessary in view of maintaining minimal initial value of asset group by Securitization Fund;
 - 2) in other cases prescribed by the Central Bank statutory acts.

Article 26. Asset Group Collateralization

1. As prescribed by this law, an asset group shall be deemed collateralized for ensuring fulfillment of obligations arising from asset backed securities, from the moment of registration of asset group by the Central Bank.

Asset collateralization means collateralization of assets as well as of all obligations arising from claims towards assets, collateralization of returns, payments, and current or future proceeds on assets. Such returns and payments shall include payment of principle, amortization, proceeds on collateralization, receivables, fines and penalties, other payments on assets, rights arising from collateral agreements, and outstanding payables to owners of mortgage bonds.

2. Returns, payments and other proceeds on assets shall be directed to implementation of transactions with asset backed securities and execution of Securitization Fund expenses, in conformity with the notification provided by the Central Bank and Charter. This provision shall not prohibit sale of participation certificates to investors.

Article 27. Asset Group Residual Value

1. Asset group residual value is the property of Securitization Fund and shall be managed in conformity with Charter and procedure prescribed by prospectus.
2. Rights over asset group residual value may relate to a category (categories) of asset backed securities.

Chapter 4 Asset Backed Securities

Article 28. Types of Asset Backed Securities

1. Asset backed securities may be in a form of bonds and (or) participation certificates.

Article 29. Registration, Issuance and Allocation of Asset Backed Securities

1. Provisions of this law shall apply solely on asset backed securities issued by Securitization Fund established in conformity with this law.

2. Relations with respect to asset backed securities, which are not defined by this law, shall be governed by Republic of Armenia law “On Securities Market” and the Central Bank statutory acts.

3. Asset backed securities may be allocated through close or public auctions. Pursuant to Republic of Armenia law “On Securities Market”, asset backed securities may be sold at stock market or outside it.

4. Originator or Seller may not purchase more than 10 percent of the total issued value of asset backed securities without the Central Bank preliminary permission.

Procedures on submission of documents by Originator or Seller for the Central Bank preliminary permission and granting the permission shall be prescribed by the Central Bank statutory acts.

5. The Central Bank shall not object to a transaction on purchasing asset backed securities exceeding the level established in part 4 hereof, if it is done solely for purpose of credit enhancement.

6. Payments on asset backed securities shall be made in conformity with procedure prescribed by prospectus.

Article 30. Maintenance of Asset Backed Securities Register

1. Central Depository shall carry out functions of asset backed securities register.
2. At the request of the Central Bank, Central Depository shall furnish the latter within two working days with information on the owners of asset backed securities.

Chapter 5 Credit Enhancement

Article 31. Credit Enhancement Resources

1. Originator or Seller of asset backed securities as well as other persons may provide the following resources of credit enhancement:

1) a guarantee, on terms prevailing in the market in commercial transactions, of payment of the asset backed securities;

2) a guarantee, on terms prevailing in the market in commercial transactions, of liquidity to assure timely payment of interest and principal on the asset backed securities, not amounting to a guarantee of payment specified in clause 1 hereof;

3) retention or sale of ownership of a class of asset backed securities which are subordinate to the rights of payment and collateral of other classes of the same issue;

4) dedication of any Residual Value of the asset pool to creation of a reserve account for payment of the asset backed securities;

5) sale to a Securitization Fund of assets valued in excess of the price paid by the Securitization Fund, provided that such excess value may be recaptured by the Originator, Seller, or investor in Residual Value;

6) asset insurance;

7) other types of credit enhancement prescribed by rules the Central Bank statutory acts, or prescribed by this law.

Article 32. Granting Permission for Credit Enhancement

1. Securitization Fund and person providing credit enhancement resources shall file a request to the Central Bank for a permission to provide credit enhancement resources not established by article 31 hereof and (or) rules prescribed by the Central Bank statutory acts, submitting the following documents:

1) description of credit enhancement resources established in conformity with rules prescribed by the Central Bank statutory acts;

2) other documents established by the Central Bank statutory acts.

2. The Central Bank shall allow provision of credit enhancement resources within twenty five working days, if:

1) credit enhancement resources are in compliance with laws and by-laws.

2) credit enhancement resources do not endanger interests of investors.

Chapter 6 Accounting, Reporting and Supervision

Article 33. Securitization Fund Reports

1. Securitization Fund shall prepare, publish and submit to the Central Bank quarterly, annual, financial and other reports. The Central Bank may establish by its statutory acts a different frequency of reporting.

2. Forms of the reports, procedure and timing of their submission and disclosure shall be established by the Central Bank statutory acts.

3. Reports and other information provided by Securitization Fund to the Central Bank shall be comprehensive and true.

Article 34. Securitization Fund Accounting

1. Securitization Fund shall carry out accounting in conformity with rules established by the Central Bank in coordination with the authorized body of the government, in conformity with the Republic of Armenia accounting standards.

2. Securitization Fund Manager shall be responsible for organization of Securitization Fund accounting, submission to the Central Bank of quarterly, annual, and financial reports, describing its performance and versatility, in conformity with rules and timings established by this law and the respective by-laws, as well as for ensuring the consistency of information provided to Board of Managers and other persons.

Article 35. Supervision and Regulation of Securitization Activities

1. The Central Bank shall be vested with the authority to supervise and regulate Securitization Fund activities.

2. The Central Bank may request explanations, information and documents from Originators, Sellers, Servicers and other persons involved in securitization process. Those persons shall be obliged to provide full and true information at the request of the Central Bank.

Article 36. Securitization Fund External Audit

1. With the view to implementing audits of its performance, Securitization Fund shall every year attract a person vested with a lawful right of providing audit services (hereafter referred as external audit), signing with him the respective contract.

Securitization Fund external audit shall be selected by Board of Managers in conformity with procedure prescribed by the Central Bank statutory acts.

The Central Bank statutory acts may set additional criteria with respect to person performing audit of Securitization Fund performance.

2. External audit of Securitization Fund may be also initiated at any moment by investor (investors) at his expense.

3. In addition to the audit deed, the contract signed with person performing external audit of Securitization Fund shall envisage preparation of the audit report (letter to Board of Managers). The contract signed with person performing external audit of Securitization Fund shall also provide for verification of consistency of reports submitted by Securitization Fund to the Central Bank.

4. Where in the course of Securitization Fund audit external auditor views facts of significant deterioration of Securitization Fund financial performance, or evidence of deficiencies and violations of the activities, external auditor shall immediately inform the Central Bank thereof.

5. If the auditor deed and/or report were prepared with violation of requirements prescribed by this law, other laws and statutory acts, or the audit was not performed in conformity with procedure prescribed by laws and statutory acts, the Central Bank shall have the right to reject the audit deed and/or report, notifying external auditor thereof and request a new audit by another person at Securitization Fund's cost.

6. The external audit deed shall be submitted to the Central Bank on May 1 of the year following the financial year of audit.

7. At the Central Bank request, external auditor shall furnish the Central Bank with the respective documents on Securitization Fund audit, notwithstanding the fact that they can contain commercial, banking or other secret.

8. In case of a failure to fulfill obligations prescribed by this article, person performing independent external audit shall bear responsibility established by the Republic of Armenia legislation.

Article 37. Disclosure of Activities

1. Securitization Fund shall prepare, submit to the Central Bank and place on its Internet site quarterly reports on issuance of asset backed securities, in conformity with the procedure prescribed by this law. The form, procedure and timing of submission and disclosure of quarterly reports shall be established by the Central Bank statutory acts. Quarterly reports shall contain the following information:

1) value of assets within coverage funds in terms of their nominal value, residual value of assets and net present value of assets;

2) structure of not repaid (outstanding) asset backed securities per maturity, as well as fixed interest rate payment periods on covering assets per years;

3) types of derivative securities contracted by Securitization Fund and total amount of transactions;

4) distribution of assets within the group of coverage resources:

a. by nominal value of assets;

b. in case if asset is backed by a collateral – by place of location of collateral (if collateral is a real estate), purpose of use and type;

- 5) payments on assets included into coverage group during the reporting period;
 - 6) real estate, belonging to cover assets, which was sold during the reporting period, as well as real estate pending sale as of the end of reporting period;
 - 7) number of cases at the end of reporting period when Securitization Fund took measures to sell collateral with the view to preventing losses;
 - 8) classified assets overdue for 90 and more days;
 - 9) other information prescribed by the Central Bank statutory acts.
2. Statements and information provided by Securitization Fund shall be comprehensive and true.

Chapter 7 Law Violations and Resulting Penalties

Article 38. Responsibility for Violation of Law

1. Measures of responsibility for violation of this law, other laws regulating securitization process and the respective statutory acts shall be established by the Republic of Armenia law “On Securities Market.”

Chapter 8 Securitization Fund Liquidation

Article 39. Grounds for Securitization Fund Liquidation

1. Securitization Fund shall be liquidated:
 - 1) self-liquidation:
 - a. after the full fulfillment of obligations with respect to asset backed securities, in case if the prospectus on issuance of new asset backed securities has not been prepared within thirty working days in a manner prescribed by this law;
 - b. in case of repurchasing assets by Securitization Fund or Originator as prescribed by law.
 - 2) enforced suspension of activities:
 - a. if persons owning two thirds of nominal value of asset backed securities issued by Securitization Fund brings a liquidation appeal;
 - b. if property of Securitization Fund, including cover assets, are not sufficient for carrying out of its activities and fulfillment of committed liabilities, and the possibility of acquiring adequate property by Securitization Fund for fulfillment of committed liabilities is not probable.

Article 40. Securitization Fund Self-Liquidation

1. In case if grounds indicated in clause 1, part 1, of Article 39, hereof are present, Board of Managers shall have the right to take a decision on self-liquidation of Securitization Fund, if Securitization Fund does not have obligations towards Securitization Fund investors under the servicing contract.

2. In case defined under part 1, hereof, in case of proclaiming self-liquidation, Securitization Fund shall submit to the Central Bank an appeal for self-liquidation, attaching back-up documentation, as prescribed by the Central Bank Board.

3. Within twenty five working days, the Central Bank Board shall review Securitization Fund’s appeal for self-liquidation.

4. The Central Bank shall reject the self-liquidation appeal if the grounds for self-liquidation established by this law are not evident.

5. After receiving the Central Bank permission for self-liquidation, Securitization Fund shall apply to the court for the validation of self-liquidation.

6. Based on Securitization Fund application, and in case if the Central Bank authorizes self-liquidation, the court shall issue a decision on self-liquidation of Securitization Fund, appoint a liquidation committee, and establish procedure and time schedule for self-liquidation.

Article 41. Enforced Suspension of Securitization Fund Activities

1. In case of presence of any of grounds indicated in clause 2, part 1 of Article 39 hereof, the Central Bank shall take measures for an enforced suspension of activities and liquidation of Securitization Fund, in compliance with provisions of this article.

2. In cases indicated in clause 1, part 2 of Article 39 hereof, the Central Bank Board shall within fifteen working days take a decision on the enforced suspension of Securitization Fund activities and appoint an authorized representative of investors.

3. From the moment of taking decision defined in part 2 hereof, the authorities of Securitization Fund management bodies shall be transferred to the authorized representative of investors.

4. The authorized representative of investors is competent to:

1) manage assets for the benefit of investors;

2) dismiss a member, members and/or manager of Securitization Fund;

3) provide guarantees or other forms of credit enhancement for the benefit of investors;

4) cancel Securitization Fund servicing contracts or other contracts on provision of services;

5) subject to the Central Bank consent, appoint a Replacement Servicer or other service provider;

6) act as liquidation administrator, and carry out authorities of a liquidation administrator defined under Article 42 hereof;

7) take necessary measures for implementation of the functions indicated in clauses 1-6 hereof.

5. Members of Securitization Fund Board of Managers, Securitization Fund Manager and persons providing services to Securitization Fund shall be obliged:

a) at the request of authorized representative of investors, transfer Securitization Fund assets, accounts and documents;

b) cooperate with the authorized representative of investors when the latter fulfills his rights and responsibilities;

c) not impede authorized representative of investors in fulfilling his rights and responsibilities.

6. Securitization Fund liabilities shall be covered from its liquidation funds, in conformity with Article 42 hereof.

Article 42. Securitization Fund Liquidation Based on Bankruptcy

1. In case of presence of grounds indicated in sub-clause “b”« clause 2, part 1 of Article 39, hereof, the Central Bank Board shall within fifteen working days file to court an application on bankruptcy of Securitization Fund. Application on initiation of bankruptcy proceedings against Securitization Fund may be instituted solely by the Central Bank, through the decision of the Central Bank Board.

2. Securitization Fund bankruptcy case shall be processed in manner prescribed by Republic of Armenia Code of Civil Proceedings and the Republic of Armenia law “On Bankruptcy”, unless envisaged otherwise by this law.

3. During examination of Securitization Fund bankruptcy case by court only the liquidation proceedings shall be implemented. After deciding to institute proceedings based on the Central Bank application, court shall hear the case within a three-day period. The Court shall decide on either upholding or rejecting the application of the Central Bank. The decision of the court shall enter into force from the

moment of its pronouncement and shall not be subject to appeal. The Court shall reject the application of the Central Bank, if its decision is in violation of the procedure prescribed by this Law.

4. While taking a decision on liquidation of Securitization Fund, court shall appoint Liquidator from among nominees of the Central Bank.

5. From the moment the Court upholds the Central Bank's application and appoints the Liquidator, the Liquidator shall receive the powers of Securitization Fund management.

6. Securitization Fund liabilities shall be covered from liquidation funds in the following priority order:

- 1) first - costs (including salary of Liquidator) incurred for implementation of liquidation process;
- 2) second - claims of the investors, in the priority order established under prospectus;
- 3) third - claims of other persons who under this law are not considered Originator, to whom Securitization Fund has contractual liabilities;
- 4) fourth - claims of Originator or Seller, to whom Securitization Fund has contractual liabilities;
- 5) fifth - claims of any other creditor;
- 6) sixth - distribution of remaining funds between founders in proportion to size of their investment.

Chapter 10. Transitional Provisions

Article 43. Going into Effect

This law shall go into effect on the tenth day after promulgation.