

Approved by

ARMECONOMBANK OJSC Board Decision № 60/21-27.12.2016

Effective from 12.01.2017

Chairman of the Board

-----S.Sukiasyan

**PROCEDURE OF  
PROVIDING INVESTMENT AND NOT MAIN SERVICES AT “ARMECONOMBANK” OJSC**

**YEREVAN 2016**

<b>HISTORY ON DOCUMENT AMENDMENTS</b>			
<b>N/ N</b>	<b>Date of Resolution/Order</b>	<b>Number of Resolution/Order</b>	<b>Document Identifier</b>
1	30.05.2014	19/09-30.05.2014	R/K/0/087/30.05.2014/ 1
2	11.03.2015	05/04-11.03.2015	R/K/0/087/11.03.2015/ 2
3	19.02.2016	8/02-19.02.2016	R/K/0/087/19.02.2016/ 3
4	27.12.2016	60/21-27.12.2016	R/K/0/087/27.12.2016/ 4

## 1 GENERAL PROVISION

1.1 This document sets forth the procedures providing investment and non-investment services at “ARMECONOMBANK” OSJC (hereinafter, the Bank).

1.2 This procedure had been developed in compliance with RA Legislation, normative acts of Central Bank of Armenia, Bank’s Charter, procedures and other internal legal acts.

1.3 By this procedure:

1.3.1 Investment service (providing services) Accepting and announcing instructions of security operations from the customers, performing operations on behalf of the Bank and the customer and with the securities on the account of the customer, as well as performing operations on the Bank’s account and with the securities on behalf of the Bank.

1.3.2 Non-investment service (providing services)-trusteeship.

1.3.3 Trusteeship operation (providing services)– process of the performance of the accounting of customers’ securities in compliance with this Procedure.

1.3.4 Security – non-state securities (shares and bonds) and state bonds

1.3.5 State bonds- state (treasury)bonds issued by the RA Ministry of Finance and the Central Bank of Armenia and other bonds the custody of which is implemented by the Central Bank of Armenia.

1.3.6 Customer – corporate entity or individual with whom the Bank signed an Agreement on rendering of investment services and/or state bonds Custody services.

1.3.7 Account of securities /depo-account/ - account for accounting customers’ securities.

1.3.8 Order –The presented customer’s, as well as the Bank’s order, instruction, application or proposal for arranging deal with securities.

1.3.9 Limit order - an purchase (sale) application (posting order in stock exchange fund) being immediately activated which after immediate entry in commercial system can be partly or totally satisfied with the amount mentioned in the order or can be entered in orders line with the price mentioned in the order.

1.3.10 Market order- a purchase (sale) application (posting order in stock exchange fund) being immediately activated which after immediate entry in the commercial system can be satisfied with the best price of sale (purchase) in compliance with the sequence with the size of volume existing in the market.

1.3.11 The best price-in case of purchase - the lowest price of sale at that moment, in case of sale – the highest price of purchase at that moment.

1.3.12 Informational base of qualified investors being registered in Central Bank of Armenia carrying out by the Central Bank of Armenia. The informational base should be posted in the official web site of the Central Bank of Armenia.

1.3.13 Qualified investor (Individual), person being registered in informational base as an Individual who satisfies at least two of this following standards:

1.3.13.1 For monthly average 10 and more operations had been performed in the security market during previous 4 quarters of submission of the person’s application, besides the average volume of an operation is at least AMD 500 000.

1.3.13.2 The size of an Individual’s security package in the moment of presentation exceeds

AMD 100 million or in the moment of presenting the application of net income of Individual during accounting year exceeds AMD 100 million.

1.3.13.3 Individual having at least 5 years work experience in the financial sphere which demands knowledge related to the investments in the securities:

1.3.14 Qualified investor (Corporate entity) person being registered in the informational base as a qualified investor.

1.3.15 Reliable means transferring the information -any means which will give an opportunity to the customer to receive and maintain personal information directed to him/her and which will give an opportunity to use it and to reproduce the maintained information in the future. Safe means

for information transfer are included in the notification provided to the customer by the Trustee.

1.4 The Bank's Dealing Centre department (hereinafter, the Centre) is the subdivision providing investment and non-investment services.

## 2 CONTACTS WITH CUSTOMERS

2.1 The bank provides investment services based on the written agreement for providing investment services signed between the Bank the customer. The agreement is drafted in two copies.

2.2 The state bonds custody services are provided by the Bank in compliance with the written agreement (Appendix 2) on provision of state bonds custody services signed between the bank and the Customer. The agreement is drafted in two copies.

2.3. In accordance with the Agreement of State Bonds Custody Services a Depo account is opened for the investor.

2.4 Before signing the agreement and providing investment and Custody services the Bank provides the customers with the following information

2.4.1 About the bank and the services provided by him,

2.4.1.1 The Bank's name and means of communication,

2.4.1.2 Information in what languages the customers can establish a connection with the Bank, receive documents and other information.

2.4.1.3 Methods for sharing information and for establishing connection with each other, as well as the procedure on accepting and announcing orders.

2.4.1.4 The grounds in accordance of which the entity is eligible to provide investment services, as well as the name and means of communication of the competent authority who licensed and registered the entity.

2.4.1.5 Information on reports presented to the customers, as well as on their presented frequency and periods.

2.4.1.6 In case of possessing the customer's facilities by the Bank, the brief description of those steps which are obtained for ensuring the customer's facilities, including the repayment of investors by the Bank, as well as on guarantying the facilities or about participation in other schemes.

2.4.1.7 Brief description of limitation policy of clash of interests (In case of customer's demand the whole description of policy on clashing the interests).

2.4.2 On securities

2.4.2.1 Description of securities and the risks related to them. With that description the peculiarities of each security type (share, bonds, etc.) is presented in a clear and understandable ways, as well as the risks related to them.

2.4.2.2 If the Bank provides the Customer with information about the securities, which are the subject of public offering at that moment and the Prospectus has been published for that occasion, the Bank shall inform the Customer where the Prospectus has been published and where the customer can obtain it from.

2.4.2.3 In the cases when the risks related to the securities are guaranteed by a third person, the Bank shall provide the customer with information on the guarantee and the guarantor, as well as shall inform that the investments in securities are not guaranteed by the Deposit Guarantee Fund.

2.3.3 On place (means) of executing transaction (fund stock exchange, other regulated market or

non-regulated market).

2.4.4 On corresponding expenses and commission fees:

2.4.4.1 The customer should pay a gross amount for using from investment, non-investment services, including all commission fees, expenses and other payments as well as all tax payments which are kept by the Bank as a tax agent. An accounting form is presented if it is impossible to inform about the exact amount which should be charged.

2.4.4.2 Ways of making payments:

2.5 In case of professional customers, the requirements determined in the 2.4.2 and 2.4.4 paragraph of this procedure may not be kept.

2.6 Before signing an agreement or providing investment services the Bank classifies the customers as professional or non-professional ones.

2.6.1 Only qualified investors can be classified as a professional customer in case of their consent (Appendix 4).

2.6.2 Before classifying the professional customers the Bank informs the customer that a number of requirements determined by this procedure will not be operated in their relationship afterwards presenting the essence of requirements. Those customers who have given their consent for qualifying as a professional in one or all investment services, shall present written statement to the Bank that:

2.5.2.1 I agree to be qualified as a professional customer.

2.5.2.2 They are informed that requirements directed to the customers' benefits are not operated towards them and because of it loose certain protection

- 2.6.3 On the Bank's or his/her professional customer's initiate it's allow to concern professional customer as non-professional and to carry out all the necessary operations raised from it.
- 2.6.4 If the Bank is informed that the customer stopped becoming qualified investor, it takes corresponding measures for stopping that customer's professional status.
- 2.7 In case of providing investment services, the Bank requires information on the customers' knowledge and experience for evaluating whether that investment service or security correspond to the customer's requirements (Appendix 5).
- 2.7.1 If the Bank, based on the customer's information, finds out that the investment services or security do not correspond to the customer's requirements, it informs about it to the customer.
- 2.8 In case of not being provided or satisfied with the information mentioned in the 2.7 paragraph of this procedure by the customer, the Bank warns the customer that such customer's behaviour does not allow the Bank to evaluate the conformity of investment service or security to the customer's requirements.
- 2.9 Carrying out the operations mentioned in the 2.7 paragraph of this procedure the Bank decides whether the customer has the necessary knowledge and experience in the investing sphere in order to realize the risks raised from investment services or security. The Bank can consider that the professional customer has the necessary knowledge and experience.
- 2.10 If the Bank accepts and announces instructions from the customer for security operation and/or on behalf of the Bank or customer and together with non-regular service or the services of making operations with securities on the customer's account, it has the right not to claim information about new knowledge and experience in case of satisfying the below mentioned requirements.
- 2.10.1 the mentioned services are related to the:
- 2.10.1.1 Securities issued or guaranteed by the RA, Central Bank of RA and communities of RA.
- 2.10.1.2 Securities for religious, educational or benevolent purposes issued by the religious, educational, benevolent and other non-commercial organizations.
- 2.10.2 The Bank clearly (understandable for the latter) presents to the customer about the use of this exception.
- 2.11 Before signing the agreement and providing investment services the Bank shall give the customers an opportunity to get acquainted with the legal acts regulating the provision of investment services.
- 2.12 Handing of securities for trusteeship does not bring to the surrender of property. Securities handed for trusteeship cannot be arrested against the Trustee's obligations and in case of liquidation of the Trustee are not involved in the structure of liquidation property.
- 2.13 Notices made by the Trustee on securities handed for trusteeship confirm the customer's right towards the securities.
- 2.14 Rules regulating the trusteeship activity have a public nature.
- 2.15 The procedures of terminating Investment services provision and State Bonds Custody services provision agreements, as well as procedures of transferring the customer's securities and monetary funds are carried out in compliance with the provisions set forth by the Agreement.

### **3 OPERATIONS IN THE PRIMARY MARKET**

- 3.1 Every investor has an opportunity to purchase or sell securities in the primary market with the Bank's mediation during primary allocation or auctions.
- 3.2 At least 30 minutes before the haggling the investor presents security purchase or sale order (Appendix 1-1 enclosed to the Investment Services Provision Agreement) to the Centre.  
The volume and the price of bonds to be purchased or sold are determined by the investor. The Centre accepts the order in case of existence of commission fee and existence of necessary amount being in the Bank on the customer's account.
- 3.2.1 In case of existence of limits set by the Bank the Investor can participate in securities allocation auctions without ensuring the amount necessary for the purchase of securities.
- 3.3 In case of insufficient facilities on the customer's account, the Centre does not accept the order and gives it back to the customer mentioning the reason on the order and the copy of which is kept in the Centre.
- 3.4 After receiving the application the investor's funds are frozen till the auction results become known.
- 3.5 The Centre presents an order on behalf of the investor for participating in the allocation or repurchase auctions of bonds.
- 3.6 In case of satisfaction of the investor's application, the Centre transfers/withdraws the purchased/sold bonds to/from the investor's depo-account at the Bank on the day of the auction charging the amount necessary for the acquisition/sale of securities and commission fees from the Customer's Bank(card)/depo account opened at the Bank..
- 3.7 The investor's application approval (partial approval) or rejection circumstances (Appendix 1-3 enclosed to the Investment services provision Agreement) are presented to the investor by the corresponding notification on the auction's day.
- 3.8 In case investors submit an application to purchase/sell bonds at the same price and the application is satisfied partially, the Bank satisfies the customer's applications proportionally.
- 3.9 In case the investor and the Bank submit an application to purchase/sell bonds at the same price and the application has been satisfied partially, the Bank gives priority to the investor's application.
- 3.10 The Bank ensures its participation in the primary market (submission of application) in compliance with the requirements of the announcement received in advance.

### **4 OPERATIONS IN THE SECONDARY MARKET**

- 4.1 The operations can be performed both in the secondary regulated market ("NASDAQ OMEX ARMENIA" OJSC), and in the non-regulated market. Each investor has an opportunity to purchase or sell any number of bonds in the secondary market through the Centre.
- 4.2 To purchase or sell bonds on the secondary market of bonds, in case of relevant amount on his/her bank/card account or relevant bonds on Depot account, the investor submits a sale or purchase order to the Centre (Appendix 1-2 attached to the Agreement on Investment services provision).



- 4.3 The deadline of order acceptance in the regulated market is considered to be the day of transactions up to 14:15.
- 4.4 The Center deposits its and/or the Investor's securities (in case of sale) and monetary funds (in case of purchase) till 14:15 in compliance with the volumes indicated in the Application.
- 4.5 Investors' applications are entered into stock-market in chronological principle (the date of application submission is indicated in the latter).
- 4.6 In case of receiving sale and purchase orders at the same price of same issued bonds from different investors, the Bank can present orders with the form of one order and in case of performing operation the orders should be satisfied in compliance with the chronological principle.
- 4.7 If the Bank presents the order with the same price by his and by investors name in the stock exchange platform, in case of order satisfaction, the investor's order should be satisfied first of all.
- 4.8 If opposite orders are accepted:

4.8.1 In case of limiting application at the same price, the Bank makes a transaction outside the regulated market by notifying the investors in advance.

4.8.2 In case of market order, the Bank enters the stock exchange platform in compliance with the chronological principle.

4.9 In case of satisfaction of bonds purchases order, the bought bonds during the same banking day are entered to the investor's depo-account and in case of sale the cash falsities are entered to the investor's monetary account charging the relevant commission fees.

4.10 The investor shall be provided with a notification on the approval (partial approval) or rejection (Appendix 1-3 attached to the Agreement on Investment services provision) of his/her application, which shall be signed and sealed by the Bank.

4.11 Withdrawal can be made upon written request of the investor during trading session till 14:30. (Appendix 6).

4.12 In the secondary (non-regulated) market the Center carries out the participation in purchase and sale auctions of securities announced by the Central bank of Armenia in compliance of the paragraphs 3.2-3.10 of this Procedure.

4.13 In case of corresponding proposal in the secondary market (non-regulated) the Center on behalf of the investor signs the bonds sale and purchase agreement. The purchased bonds are deposited on the investor's depot account and in case of bond sale the amount is deposited on the investor's bank/card account during the same banking day.

4.14 The investor can sign the bonds agreements of sale and purchase by his name presenting to the Bank the documents approving the operation and instruction of depo-account for the purpose of making corresponding transfers at the same day. In the agreement making on behalf of the investor the existence of two parties and in the instructions the existence of the investor's signature and seal (in case of individual) is mandatory. The instructions presented by the investors are also signed by the Bank.

4.14 Investor's orders are accepted from 9:00 a.m. to 16:00 of the operational day. Orders submitted after 15: 30 shall be executed within one banking day.

## **5 RULES REGULATING THE TRUSTEESHIP ACTIVITY**

5.1 The Custody of corporate securities is implemented pursuant to the ARMECONOMBANK OJSC regulation on " Operation of unified system of securities registration and settlement " .

5.2 The Custody of state bonds is carried out in compliance with the provisions of this Procedure.

5.3 The precondition for the provision of custody services is the existence of customer's bank/card account at the Bank.

5.4 Before signing the custody services provision agreement and providing the services, the Bank gives its customers an opportunity to get acquainted with the legal acts regulating custody operations.

5.5 The signing of Custody agreement and opening of depo account does not require an immediate transfer of securities to the depo account.

5.6 Instructions given by the customer or a person authorized by him/her is a basis for debiting of securities from the account in case the following conditions are met:

5.6.1 Instruction is verified by the customer or a representative authorized by him/her, after that also by the Bank,

5.6.2 Amount mentioned in the instruction must be as of the date the instruction is received in the limits of the credit balance,

- 5.6.3 Instruction is received during the Bank's operational day /9:00-16:00/.
- 5.7 In case of repayment or partial repayment of the accounting securities on the customer's account, the Bank reduces the account balance of securities by debiting the repayment amount on the customer's account.
- 5.8 Interest amount paid to the Bank by the issuer against the customer's securities are credited on the customer's account in AMD no later than the end of the next working day of the payment.
- 5.9 The Bank has the right to pledge the customer's securities on his/her behalf based on the written agreement signed with the customer.
- 5.10 The Bank has no right to:
- 5.10.1 determine and control the directions of customer's security use or set forth other arbitrary restrictions in regulations on its right to dispose the customer's securities.
  - 5.10.2 use its customers' securities to repay its liabilities as well as use them as means of provision towards other customers' or other third parties' liabilities.
- 5.11 The Bank cannot close the security accounts where the securities are registered.
- 5.12 Accounts of securities having zero balances may be closed:
- 5.12.1 By customer's instruction,
  - 5.12.2 upon termination of security account servicing Agreement, including the revocation of the license of the Bank's custody activity,
  - 5.12.3 in case of not making transactions through security account for at least 1 year (unless otherwise specified by rules set by the Bank or the Agreement).

## 6 REGISTRATION OF ORDERS AND TRANSACTIONS

- 6.1 The Bank registers each order given by the customers in a relevant register (Appendix 7).
- 6.2 Records are made no later than the end of the business day after the receipt of orders
- 6.3 The registration of each order given by the customer at least include the following information:
  - 6.3.1 Customer's name, surname, or the customer's identification number,
  - 6.3.2 The type of operation (sale, purchase) mentioned in the order given by the customer,
  - 6.3.3 The nature of the order given by the customer, if the type of operation mentioned in the order is not sale or purchase (order of securities subscription, order performing an option, etc.),
  - 6.3.4 The type of order given by the customer (market, limit, etc.),
  - 6.3.5 The distinctive cipher of the security (in case of absence the name of issuer or the type of security and in case of derivative tools its description),
  - 6.3.6 Number of security,
  - 6.3.7 The price of unite,
  - 6.3.8 Total volume,
  - 6.3.9 Particular instructions (if available) given by the customer,
  - 6.3.10 The exact time of order receipt given by the customer mentioning the year, month, day, hour and the minute in turn,
  - 6.3.11 The person's name and the surname that makes the registration of the order.
- 6.4 Providing acceptance and announcement services of instruction of operations with securities from the customers the Bank after receiving the approval of accepted and announced orders no later than at the end of that working day makes notes on the performed operation.
- 6.5 Providing services on behalf of the Bank and the customer and performed operations with securities on the account of the customer, the Bank after carrying out the customer's order no later than at the end of that working day some notes are made in the register on the operation.
- 6.6 The registrations carried out in compliance with 6.4 and 6.5 paragraphs of this procedure include the following information:
  - 6.6.1 Customer's name, surname or the customer's identification number,
  - 6.6.2 The date of operation – motioning the year, month and the day in turn,
  - 6.6.3 The time of operation mentioning the hour and the minute in turn,
  - 6.6.4 The type of operation (sale, purchase),
  - 6.6.5 The nature of order given by the customer if the type of operation mentioned in the order is not sale or purchase (order of securities subscription, order carrying out an option, etc.),
  - 6.6.6 the distinctive code of securities (in its absence, the name of the issuer and the type of securities and in case of derivative instrument its description are required)
  - 6.6.7 Number of securities,
  - 6.6.8 The price of unite,
  - 6.6.9 Total volume,
  - 6.6.10 The other side of the operation,
  - 6.6.11 The place of operation (fund stock exchange, other regulated market or non-regulated market)

6.6.12 The name and the surname of the person performing the operation (the name, surname of the person responsible for the transaction in the cases set by 6.4 paragraph of this Regulation).

6.7 If the Bank accepts and announces orders from the customers for performing operations with securities no later than at the end of that working day after announcing the order some notes are made in the corresponding register on the accepted and announced orders (Appendix 7). The records include the following information:

6.7.1 Customer's name, surname or the customer's identification number,

6.7.2 The name and the identification number of a person whom the order has been declared.

6.7.3 The conditions of the declared order in compliance with the information mentioned in the 6.3.2-6.3.9 paragraphs of this procedure.

6.7.4 The date and the exact hour of the order successively indicating the year, the month, the day, the hour and the minute.

## **7 THE REPORTS PRESENTED TO THE CUSTOMERS**

7.1 After the execution of the order, the Bank provides the customer with a report on the execution of the order through the reliable means of communication not later than the next business day after the transaction is sealed ( Appendix 8 ). The information includes:

7.1.1 Bank's name,

7.1.2 The customer's name, surname (in case of corporate entity the name) or the identification number of the customer,

7.1.3 The date of operation – motioning the year, month and the day successively

7.1.4 The time of operation successively indicating the hour and the minute,

7.1.5 The type (market, limit, etc.) of order given by the customer,

7.1.6 The place of transaction sealing (the stock exchange name is mentioned, as well as the name of the regulated market or “non- regulated market”),

7.1.7 Distinctive code of security, issue number (in case of absence, the name of the issuer and the type of security, and in case of derivative tolls, its description),

7.1.8 The type mentioned in the order (sale, purchase),

7.1.9 The nature of the order if the type of operation mentioned in the order is not sale or purchase (subscription of securities, performing option, etc.),

7.1.10 The number of securities (in case of volumetric securities - the nominal value),

7.1.11 The price of unit (in case of volumetric securities it is not completed),

7.1.12 Total volume,

7.1.13 Gross amount of charged commission fees and other payments and in case of not professional customer also their opening (according to each payment),

7.1.14 The terms and conditions of payments made by the customer, if the customer had not been informed before (banking account, etc.).

7.1.15 Information on a fact that from the customer's viewpoint the other side of the operation has been appeared as a provider of that investment service, the other person being in the latter's group or another customer of a person providing investment services, if the operation had not been carried out in such regulated market which ensures the unknown side of the operation for the other.

7.2 If the customer's order had been carried out by shares, the Bank presents to the customer a

report on the order's fulfilment in compliance with the each share.

7.3 After executing the customer's order but no later than the end of the next working day of signing the operation the Bank provides the customer with statements and references through the means of communication mentioned in this Agreement.

## 8 OTHER PROVISIONS

8.1 The commission fees for providing the services stipulated by this procedure are charged in compliance with the tariffs of the Bank.

8.2 The Center makes an accounting of investor's applications in separate folders.

8.3 The Bank informs the customer about the amendments made in this procedure through the reliable means of communication no later than within a two-week period before the amendments enter into force.

## 9. Appendixes

Nº	NAME OF APPENDIX	THE IDENTIFIER
1	Agreement on the " Provision of Investment services"	R/DZ/0/K087.1/27.12.2016/4
2	Agreement on the "Provision of State bonds custody services"	R/DZ/0/K087.2/27.12.2016/2
3	Information on " Investment and non-investment services provided by ARMECONOMBANK OJSC"	R/DZ/0/K087.3/27.12.2016/4
4	Announcement on "Being classified as a professional customer"	R/DZ/0/K087.4/2701202016/2
5	Reference on "the Customers' knowledge and experience"	R/DZ/0/K087.5/27.12.2016/2
6	" Securities withdrawal" order	R/DZ/0/K087.6/27.12.2016/4
7	Registry of "Accepted and announced orders given by the customers "	R/DZ/0/K087.7/27.12.2016/4
8	Statement	R/DZ/0/K087.8/27.12.2016/4
9	Report on " Depo account", account statement on " Depo account"	R/DZ/0/K087.9/27.12.2016/4