

Registered  
with the Central Bank of Armenia  
Arthur Javadyan, Chairman

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December 2, 2008

**«CENTRAL DEPOSITORY OF THE REPUBLIC OF  
ARMENIA»  
OPEN JOINT STOCK COMPANY**

**RULES ON ETHICS AND BUSINESS CONDUCT**

YEREVAN - 2008

## Chapter 1. General concepts

### Article 1. The purpose of the concepts

1.1 The purpose of these Rules is the definition of rules on professional ethics and business conduct for the officials and employees of the «CENTRAL DEPOSITORY OF THE REPUBLIC OF ARMENIA» Open Joint Stock Company (hereafter Depository), as well as for the members of the settlement system of the Central Depository (hereafter Member) or those entities acting in the structure or on behalf of them based on a professional qualification.

### Article 2. Concepts used in the Rules

2.1. The concepts used in the Rules shall have the meanings as specified below:

2.1.1. «Securities settlement system» shall mean the complex of administrative, technical and legal means ensuring the execution of mutual liabilities, arisen from transactions concluded with securities, in order, defined in Rules on Securities Settlement System.

2.1.2. «Member of the System» shall mean the entity, which, in accordance with the RA legislation, has the right to become a member of the Securities Settlement System, and which concluded the contract with the Depository, in accordance with the Rules on Securities Settlement System.

2.1.3. Client shall mean any physical or legal entity, which concluded the contract with the Depository or the Member of the System, or any Issuer, which concluded the contract with the Depository on maintenance of the registry of securities owners (nominees).

2.1.4. Professional ethics shall mean the criteria defined by the Depository on business conduct, based on the principles of conscientiousness, legality, priority of clients' interests, professionalism, independence, transparency, and cooperation, in accordance with the RA legislation and the Rules of the Depository.

2.2. Other concepts used in these Rules shall have the meanings defined by the RA Law on Securities Market (hereafter Law).

### Article 3. The spheres for using the Rules

3.1. These Rules shall be implemented performing activities between the Depository and the Member of the System (hereafter Member), as well as towards each other, during interactions with their clients and other entities.

## Chapter 2. Norms of professional ethics

### Article 4. Main principles of professional ethics

4.1. The principles of professional ethics of the Depository and the Member shall define the moral basis of its activities, which shall be accepted and followed by the officials and employees of the Depository and the Member during their everyday activities.

4.2. The principles of professional ethics of the Depository and the Member shall be based on the requirements and norms of the society, based on mutual interests of the Depository and the Member, and the necessity of acting in accordance with legality and justice.

4.3. The main principles of professional ethics are:

- 4.3.1. conscientiousness;
- 4.3.2. legality;
- 4.3.3. priority of clients' interests;
- 4.3.4. professionalism;
- 4.3.5. independence;
- 4.3.6. transparency;
- 4.3.7. cooperation.

#### **Article 5. Conscientiousness**

5.1. The Depository and the Member shall perform operations in the securities market conscientiously, namely, shall fully use their professional skills, experience and knowledge, and shall act with prudence and responsibility, in order to protect the clients' rights and legal interests.

5.2. Based on the client's interest, the Depository and the Member shall conscientiously execute liabilities arisen from the contract with the latter, and shall consistently follow the requirements of the contract, concluded with the clients.

5.3. The Depository and the Member have no right to:

- 5.3.1. violate the interests and rights of the client;
- 5.3.2. abuse the client's unawareness, lack of knowledge and lack of experience while concluding a contract with the client and later surrendering service according to the contract.

#### **Article 6. Legality**

6.1. While performing their operations, the Depository and the Member shall steadily act in accordance with the requirements of the Law, the decisions of the Central Bank, and the Rules of the Depository, as well shall require from their clients to follow them by all reasonable and legal means.

6.2. The Depository and the member shall refuse in a written form to execute the assignments of their clients, if they contradict the requirements of the RA legislation, other legal acts arisen from them, and the Rules of the Depository.

#### **Article 7. Priority of clients' interests**

7.1. The Depository and the Member shall give priority to executing the assignments received from their clients in accordance with the RA legislation, in order of their receipt.

7.2. The Depository and the Member shall avoid by all legal means from conflict of interests, and, if it is impossible, shall inform the client about it and undertake all necessary and reasonable means for solving the conflict of interests in favour of the client, and shall not satisfy their own interests at the expense of the client's rights and legal interests.

#### **Article 8. Professionalism**

8.1. The Depository and the Member shall ensure that their employees follow these Rules, and shall involve professionals having corresponding professional skills and knowledge, in

accordance with the requirements of these Rules, for surrendering services to clients, in order, defined in the RA legislation.

#### **Article 9. Independence**

9.1. While performing their operations, the Depository and the Member shall not allow any possibility of influence on their decisions or pressure by other persons and/or dependence from them, which can harm their clients.

#### **Article 10. Transparency**

10.1. The Depository and the Member shall insure provision of corresponding information in accordance with the Law, other legal acts, and the Rules of the Depository, to entities authorized to receive it.

10.2. The Depository and the Member shall ensure the confidentiality of any information considered a service and/or commercial secret, that became known to them in the result of their activities, in accordance with the Law, other legal acts, and the Rules of the Depository.

#### **Article 11. Cooperation**

11.1. The Depository and the Member shall ensure friendly and responsible attitude towards their clients and other entities.

11.2. The Depository and the Member shall refrain from groundless criticism and discussions of the activities of a Member publicly, and shall not take any actions, which can harm his business reputation.

11.3. If a Member's client is another Member's client, then the mentioned entities have no right to practice segregation or pressure towards the client, and shall not compromise each other.

11.4. The Depository and the Member shall execute in good faith their obligations provided by the RA legislation.

### **Chapter 3. Norms of performing operations of the Depository and the Member**

#### **Article 12. General principles of performing operations**

12.1. In their activities the Depository and the Member shall follow the principles of conscientiousness and fairness.

12.2. The operation performed by the Depository or the Member shall be considered Conscientious if the Depository or the Member:

12.2.1. conscientiously and honestly executes its clients' assignment and obligations arisen from transactions with securities;

12.2.2. provides its clients all necessary information related to the obligations arisen from transactions with securities and execution of the assignments of the client;

12.2.3. executes its clients' assignments in order of their receipt;

12.2.4. ensures proper preservation, as well as the security and separate maintenance of the securities and means of its clients;

12.2.5. adopts procedures and rules on registry maintenance and internal accounting, in accordance with the RA legislation and the Rules of the Depository;

- 12.2.6. follows other requirements defined in the RA legislation and the Rules of the Depository.
- 12.3. While performing their operations, the Depository and the Member shall follow the norms of ethics defined in Article 2 of these rules.
- 12.4. The Member shall perform its professional activities based on fair competition and cooperation between other professionals in the securities market.
- 12.5. The Depository and the Member shall inform their clients on the course of the execution of their assignments.
- 12.6. The Depository and the Member shall compensate their clients the harm, caused by non-performance or improper performance of the obligations arisen from the contract, or in the result of violation of the requirements of the RA legislation and the Rules of the Depository.

#### **Article 13. Norms of conscientious work with clients**

- 13.1. While performing their operations, the Depository and the Member shall be attentive towards their clients, shall take into consideration their needs and requirements related to the services rendered to them, shall follow the rules and criteria of professional ethics and conscientious activities adopted by the Depository, shall ensure and coordinate their application in their everyday activities.
- 13.2. The Member has no right to give guarantees or promises to the client regarding the forecasted income from the invested means.
- 13.3. Non-application of sufficient efforts for the client by the Depository or the Member during concluding a transaction shall be considered a violation of the requirement defined in point 12.1. of these Rules.

#### **Article 14. Services fee**

- 14.1. The fee paid for the services to the Member by the client shall correspond to the volume and quality of services. The size of the fee may depend on the complexity of the rendered services and the expenses connected with them.
- 14.2. The Member of the system shall agree on the terms and order of fee for the services with the clients and register them in a written form in advance.

#### **Article 4. Requirements to the employees**

#### **Article 15. General requirements**

- 15.1. For performing activities in accordance with the corresponding staff list, the Depository and the Member shall involve those physical entities which have the required education and, in cases defined in the Law, a professional qualification.
- 15.2. The Member of the System shall not be allowed to entrust the provision of professional services to the client to entities having no corresponding professional qualification. This point shall not limit the involvement in the process of providing professional services to the client of entities having no professional qualification and acting under the supervision of the Member.
- 15.3. The Depository and the Member shall take all actions to ensure:
- 15.3.1. conscientious execution of professional responsibilities by the employees;
  - 15.3.2. improvement of its employees' professional qualifications

- 15.3.3. availability of technical equipments, educational methodological and informational publications, the RA legislation, Rules of the Depository and other necessary materials.
- 15.4. If the employees of the Member for some reason do not comply with the requirements defined in this Article, then the Member shall inform about it to the Depository and undertake legal actions for eliminating the given non-compliance.

#### Article 16. Service ethics of the employees

- 16.1. The employees of the Depository or the Member, which, while performing their professional activities, are authorized to present the interests of the Depository or the Member, and/or ensure the activities of the Depository or the Member according to their job responsibilities, must:
- 16.1.1. perform their responsibilities in good faith;
  - 16.1.2. contribute to the development of the activities of the Depository or the given Member;
  - 16.1.3. perform polite and official attitude towards each other, as well as towards the clients, their representatives, officials of other Members, and other employees.
- 16.2. The relations between the employees of the Depository or the Member shall be based in priority order on the principle of mutual responsibility for rendering proper services in the securities market.
- 16.3. The employees of the Depository or the Member, which, in the frames of their official authority, possess service and/or confidential information, shall exclude any probability of passing the information to third parties. The Depository and the Member shall undertake measures for excluding the pressure on the given employee for the purpose of getting the mentioned information.
- 16.4. While transferring to another job, including to another Member, the employee of the Depository or the Member shall refrain from ungrounded criticism or endorsement of the activities of his previous employers and colleagues publicly, from discussing service, internal and/or confidential information possessed by him during performing his official duties, and the latter shall refrain from discussing with third parties the professional and personal qualities of their former employees.
- 16.5. The Depository and the Member have no right to use for their own interests the confidential and/or service information related to another Member, that has become known to them.
- 16.6. With the purpose of ensuring inaccessibility and protection of service and confidential information, and preventing its sharing, publication, passing to third parties and using for their own interests by the employees of the Member, the Depository and the Member shall undertake necessary measures for ensuring the security of the computers and other technical equipments located in the territory of the organization, and security and limitation of access to documents and electronic carriers containing information and data.

## Chapter 5. Norms of advertisement activities

### Article 17. Requirements to advertisement

- 17.1. The advertisement related to the activities of the Depository or the Member, as well as other advertisement created and being disseminated by them or on their behalf, shall correspond the requirements defined in the Law on advertisement, in these Rules, and in other rules of the Depository.
- 17.2. In order to ensure the maintenance of the requirements defined in this Article, the advertisement prepared by the Depository or the Member, or disseminated on their behalf, shall pass the procedures of internal control.
- 17.3. The advertisement of the services rendered by the Depository or the Member shall exclude the probability of misleading or confusing third parties, or creating distrust towards other entities.
- 17.4. It shall be prohibited to the Member to disseminate advertisement containing:
  - 17.4.1. ungrounded self-advertisement, as well as comparison with another Member or other specialized entities;
  - 17.4.2. false, distorted, incomplete or inaccurate information, which aims at or can either confuse, mislead or have pressure on the clients or other entities;
  - 17.4.3. information not considered confidential, yet compromising the client;
- 17.5. The Member has no right to directly or indirectly pay the employees of mass media with the purpose of publishing favourable information through the mass media, not considered an advertisement, related to it.
- 17.6. The Member shall not be allowed to:
  - 17.6.1. place inaccurate information in the advertisement, or publishing other information, with the purpose of misleading, confusing or deceiving owners of securities or entities performing specialized activities;
  - 17.6.2. use the advertisement for unfair competition by placing in the advertisement information regarding the disadvantages of the activities of another entity or other entities performing similar activities;
  - 17.6.3. render consultancy services or making offers through the advertisement.

## Chapter 6. Transitional Provisions

### Article 18. Entry into force of these Rules

- 18.1. These Rules and the changes and amendments to them shall be approved by the Supervisory Board of the Depository.
- 18.2. These Rules and the changes and amendments to them shall enter into force after the approval of the Supervisory Board of the Depository, from the moment of their registration with the Central Bank of the Republic of Armenia.

Approved by  
«CENTRAL DEPOSITORY OF THE REPUBLIC OF ARMENIA» OJSC  
Supervisory Board decision N3  
13.06.2008

Johan Fredholm