

DECISION No. 74-N of April 13, 2010

OF THE BOARD OF THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA

**APPROVING REGULATION 16/1 ON PROCEDURE AND CONDITIONS FOR
GRANTING, SUSPENDING AND TERMINATING PERMISSION TO ISSUE
ELECTRONIC MONEY, AND REQUIREMENTS FOR ELECTRONIC MONEY ISSUERS**

Based on Article 17, Part 2 and Article 19, Part 2, Paragraph “a” of the Law of the Republic of Armenia “On Payment and Settlement Systems and Payment and Settlement Organizations”, and guided by Article 20, Paragraph “e” of the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia” and Article 16 of the Law of the Republic of Armenia “On Legal Acts,” the Board of the Central Bank decides:

1. To approve Regulation 16/1 “On Procedure and Conditions for Granting, Suspending and Terminating Permission to Issue Electronic Money and Requirements for Electronic Money Issuers” according to the Appendix.

2. This decision shall enter into force on the tenth day following the day of the official publication.

Chairman of the Central Bank
of the Republic of Armenia
Javadyan

A.

April 16, 2010
Yerevan

REGULATION 16 / 1

PROCEDURE AND CONDITIONS FOR GRANTING, SUSPENDING AND TERMINATING PERMISSION TO ISSUE ELECTRONIC MONEY, AND REQUIREMENTS FOR ELECTRONIC MONEY ISSUERS

CHAPTER 1

GENERAL PROVISIONS

1. This Regulation determines the procedure and conditions for granting, suspending and terminating permission to issue electronic money on the territory of the Republic of Armenia, and the requirements for electronic money issuers.

2. This Regulation applies exclusively to organizations possessing a money remittance license as defined in the Law of the Republic of Armenia "On Payment and Settlement Systems and Payment and Settlement Organizations," which issue electronic money.

CHAPTER 2

BASIC DEFINITIONS USED IN THE REGULATION

3. For purposes of this Regulation:

1) "electronic money" means electronic money as defined in Article 3, Paragraph "ia" of the Law of the Republic of Armenia "On Payment and Settlement Systems and Payment and Settlement Organizations",

2) terms "issuance of electronic money," "electronic money issuer," "electronic money user," "registration account," "electronic money payment system," and "service provider" are used according to their definitions in Regulation 16/2 "Order and Conditions of Issuance and Servicing (Circulation) of Electronic Money, Requirements for Conducting Transactions in Electronic Money" approved by Decision No. 73-N of April 13, 2010 of the Board of the Central Bank (hereinafter referred to as Regulation 16/2),

3) “applicant” means organization possessing a money remittance license, which has appealed to the Central Bank of the Republic of Armenia (hereinafter referred to as the Central Bank) in order to obtain a permission for issuing electronic money.

CHAPTER 3

PROCEDURE FOR GRANTING PERMISSION TO ISSUE ELECTRONIC MONEY AND MINIMUM REQUIREMENTS AND CONDITIONS FOR APPLICANT

4. The applicant meets the following minimum requirements and conditions;

1) possesses a money remittance license issued by the Board of the Central Bank,

2) has deposited, in addition to money deposited to obtain the money remittance license, 30 million Armenian drams or securities denominated in Armenian drams, or submitted an irrevocable bank guarantee worth 30 million Armenian drams, which represent funds securing discharge of liabilities owed to electronic money users (hereinafter referred to as guarantee funds), in accordance with procedures, terms and conditions set forth in Chapters 4, 5 and 6 of Regulation 16 “Licensing of Money Remittance Organizations, Registration of Branches and Representative Offices, Regulation of Activities, Qualification of Management” approved by Decision No. 240-N of May 24, 2005 of the Board of the Central Bank (hereinafter referred to as Regulation 16).

Deposited funds can be used in cases and according to the procedure set forth in Chapter 7 of Regulation 16.

3) Applicant’s equipment, hardware and software systems to be used in issuing electronic money and safety requirements meet the requirements set forth in Chapter 6 of Regulation 16/2.

5. In order to obtain a permission to issue electronic money the applicant submits to the Central Bank the following documents:

1) petition for obtaining permission in accordance with Annex 1 of this regulation,

2) decision of the applicant’s competent body on implementing electronic money issuing activities,

3) an economic plan developed by the applicant, in accordance with Annex 2 of this Regulation, which includes forecast budget calculation for the first three financial years, and will show that the applicant is able to run the appropriate systems, resources and processes in order to operate in a stable manner,

4) copy of the contract on depositing funds or securities defined in Paragraph 4, Sub-paragraph 2 of this Regulation with one of the commercial banks operating in Armenia, or irrevocable bank guarantee, as well as a certificate for funds actually guaranteed,

5) regulation of activities, approved by a competent body of the applicant, which meets the minimum requirements for documents defined in Chapter 3 of Regulation 16/2.

6) description of implementation of internal control mechanisms and security risk management procedures, which meets the requirements defined in Chapter 5 of Regulation 16/2.

7) declaration in conformity with Annex 3 of this Regulation.

6. The Central Bank examines the petition for obtaining a permission to issue electronic money within two months of the date of submission, and makes a decision on granting or rejecting the petition for obtaining a permission to issue electronic money, or on suspension of the two-month period of examination of the petition for obtaining a permission to issue electronic money.

7. If the Central Bank fails to make a decision within the two-month period on granting or rejecting the petition, or on suspension of the two-month period of examination of the petition for obtaining a permission to issue electronic money, the petition is deemed to be granted.

8. The two-month period for examining the petition for obtaining a permission to issue electronic money and making a decision by the Board of the Central bank can be suspended by the Board of the Central Bank for a period not exceeding one month for the purpose of obtaining or clarifying certain information

9. If documents defined in Paragraph 5 of this Regulation are not properly submitted (are incomplete or flawed), the applicant is notified in writing of this fact by the Central Bank not later than on the 30th day following the submission of the documents.

10. If necessary amendments (to documents, materials or explanations) are not made or if missing documents are not submitted within 10 days after the notice is given under Paragraph 9 of this regulation, the petition to obtain a permission to issue electronic money is rejected on the ground that documents are incomplete.

11. The Central Bank rejects the petition to obtain permission if:

1) information submitted is false or unreliable,

2) there are circumstances provided in Paragraph 10 of this Regulation or the documents submitted violate the laws and other legal acts of the Republic of Armenia,

3) the regulation and/or economic program submitted is not well-founded or feasible according to the Central Bank's substantiated opinion.

12. If the petition for obtaining permission to issue electronic money is rejected, the decision of the Board of the Central Bank's shall specify the reasons and legal grounds for rejection.

If the petition for obtaining permission to issue electronic money is rejected, the applicant is entitled to submit a new petition to obtain permission under general rules. The decision of the Board of the Central Bank on rejection of the petition for obtaining permission to issue electronic money can be appealed to court.

13. Central Bank grants the applicant's petition for obtaining a permission to issue electronic money unless there are grounds for rejection specified in Paragraph 11 of this regulation.

CHAPTER 4

PROCEDURE FOR SUSPENDING THE PERMISSION TO ISSUE ELECTRONIC MONEY

14. In case of suspension of the permission to issue electronic money the money remittance organization submits to the Central Bank documents in accordance with Annex 4 of this Regulation within the 10-day period following the approval by the organization's competent body of the decision on suspension of the permission to issue electronic money.

15. Permission to issue electronic money is deemed to be suspended upon receipt of the notification by the Central Bank. Permission to issue electronic money is also suspended in case of suspension by the Central Bank of the license of the money remittance organization in the manner established by the Law of the Republic of Armenia "On Payment and Settlement Systems and Payment and Settlement Organizations."

16. Suspension of the permission to issue electronic money is deemed to be lifted as from the working day following the date of expiry of the suspension period.

17. From the moment of suspension of the permission to issue electronic money until the end of the period of suspension of the permission to issue electronic money the money remittance organization does not implement electronic money issuing activities and does not assume new liabilities, while continuing to discharge outstanding liabilities previously assumed by it, as well as to fulfill the requirements set for electronic money issuers by Regulation 16/2.

18. Within three days of the suspension of its permission to issue electronic money the money remittance organization publishes information about the suspension in a printed media with a circulation of at least two thousand copies and on its website, and submits a copy of the newspaper (magazine) containing that information to the Central Bank .

19. The requirement specified in this chapter does not apply to cases when the permission to issue electronic money is suspended for not more than 1 day.

CHAPTER 5

PROCEDURE FOR TERMINATING THE PERMISSION TO ISSUE ELECTRONIC MONEY

20. In case of termination of the permission to issue electronic money the money remittance organization submits to the Central Bank documents in accordance with Annex 5 of this Regulation no later than within 10 days after the decision of the organization's competent body to terminate the permission to issue electronic money.

21. Permission to issue electronic money is deemed to be terminated upon receipt by the Central Bank of the notification. Permission to issue electronic money is terminated also in case of revocation by the Central Bank of the license of the money remittance organization in the manner prescribed by the Law of the Republic of Armenia "On Payment and Settlement Systems and Payment and Settlement Organizations."

22. From the moment of termination of the permission to issue electronic money the money remittance organization does not implement electronic money issuing activities and does not assume new liabilities, while continuing to discharge outstanding liabilities previously assumed by it, as well as to fulfil the requirements set for electronic money issuers by Regulation 16/2.

23. Within three days of the termination of its permission to issue electronic money the money remittance organization is obliged to publish information about the termination of the permission to issue electronic money in a printed media with a circulation of at least two thousand copies and on its website, and submits a copy of the newspaper (magazine) containing that information to the Central Bank

CHAPTER 6

RESTRICTIONS ON ACTIVITIES OF MONEY REMITTANCE ORGANIZATION ISSUING ELECTRONIC MONEY

24. The amount of outstanding liabilities owed by the electronic money issuing organization to electronic money users can be no more than 100% of the amount of funds or securities deposited by the organization or of the irrevocable bank guarantee.

25. In case when the amount of liabilities specified in Paragraph 24 of this Regulation exceeds 100% of the amount of funds or securities deposited or of the irrevocable bank guarantee, funds received in exchange for electronic money may be invested only in the following highly liquid and low-risk assets:

1) accounts opened in its name in commercial banks operating on the territory of the Republic of Armenia,

2) government bonds of the Republic of Armenia,

3) securities issued by the Central Bank,

4) other assets determined by the Central Bank.

26. Investments in assets specified in Sub-Paragraphs (2), (3) and (4) of Paragraph 25 of this Regulation can be made if it does not contradict the laws of the Republic of Armenia and other legal acts.

27. The following issuance and maintenance services in connection with electronic money issuance can be provided by a money remittance payment and settlement organization issuing electronic money:

1) electronic money issuance.

2) opening and maintaining of registration accounts, including through electronic purses.

3) electronic money transfer services,

4) redemption of electronic money by cash and non-cash payments,

5) electronic money payment services,

6) entering information on electronic devices for other organizations,

7) conversion of electronic units issued by other systems into electronic units issued by it and vice versa.

28. Non-bank organization that has obtained a permission to issue electronic money cannot grant loans to users.

29. Electronic money issuing organization cannot pay interest, bonuses on borrowed funds and/or provide discounts to users.

30. Electronic money issued by electronic money issuing organization can operate only through a closed system of electronic money.

31. Issuance of electronic money by issuers residing in the Republic of Armenia is considered to be the criterion of electronic money issuance in the Republic of Armenia.

32. It is forbidden to issue electronic money in places different from the place of business of the money remittance organization. In this case, the main server should be located in the territory of the Republic of Armenia.

for Granting, Suspending and Terminating
Permission to Issue Electronic Money and
Requirements for Electronic Money Issuers”

PETITION FOR OBTAINING PERMISSION TO ISSUE ELECTRONIC MONEY

To the Chairman of the Central Bank
of the Republic of Armenia

Applicant's Name _____

Type of electronic money _____

I ask your permission to for issuing _____ electronic
money.

(system name)

I enclose herewith:

Executive Director of the applicant,

(name, surname)

(signature)

Annex 2

To Regulation 16/1 “On Procedure and Conditions
for Granting, Suspending and Terminating
Permission to Issue Electronic Money and
Requirements for Electronic Money Issuers”

ECONOMIC PLAN OF THE ELECTRONIC MONEY ISSUING ORGANIZATION

The economic plan of the electronic money issuing organization must contain the following information:

- Section 1. General Provisions
- Section 2. Long-term development trends
- Section 3. Methods for resisting the competition
- Section 4. Internal structure and management principles of the electronic money issuer
- Section 5. Guarantee funds, calculation of revenues and expenses
- Section 6. Other provisions
- Necessary information to be enclosed.

1. General Provisions

The economic plan of the organization issuing electronic money is a document supported by specific calculations, analysis, and initial data, written for three full years following the submission of the project, describing and supporting economic activities and internal organizational structure of the electronic money issuer.

General provisions of the economic plan of the electronic money issuer must specify:

- 1) Name of the issuer of electronic money,
- 2) Mission of the issuer of electronic money,
- 3) Goals of the issuer of electronic money,
- 4) Participants of the issuer of electronic money and their shares.

2. Long-term development trends

- 1) list of services planned by the electronic money issuer and their brief description,
- 2) possible position of the electronic money issuer in the market, its share and service area,

- 3) profile and expected number of potential clients of the electronic money issuer.
- 4) electronic money issuer's development and expansion prospects, including a list of planned branches,
- 5) the level of anticipated customers, growth rates of clients and issued electronic money projected for three years,
- 6) forecast demand for electronic money issued as well as electronic money issuer's strategy to meet that demand,
- 7) existing and forecast data sources, financial and non-financial, private and government (public) sectors included.

3. Methods to resist competition

- 1) compare services provided by the electronic money issuer in the target market (markets) with major competitors issuing electronic money in that market,
- 2) describe relative advantages and disadvantages of the electronic money issuer compared to the major competitors of the electronic money issuer (such as tariff policy, reputation, market share, etc.), support the competitiveness of the electronic money issuer,
- 3) describe methods to resist competition,
- 4) describe the potential competitors of the electronic money issuer in the target market.

4. Internal organizational structure and management principles of the electronic money issuer

- 1) present the internal organizational structure of the electronic money issuer, names and basic functions of structural units and services, interrelationships among them,
- 2) specify the approximate composition of the management,
- 3) describe the programs aimed at raising the quality of the management and personnel activities of the electronic money issuer,
- 4) describe the action plan for technical upgrades, implementation of new technologies,
- 5) describe the requirements set for the members of the commission controlling the functions of internal control, including education and work experience,
- 6) describe all the procedures and measures aimed at ensuring compliance of activities of the electronic money issuer with the requirements of the laws of the RA, other legal acts, as well as internal acts regulating the activity of the electronic money issuer (policy, regulations etc.),
- 7) describe the measures to respond to complaints of electronic money users,
- 8) describe the principles of selection of independent auditing organization.

5. Guarantee funds, calculation of income and expenditure

- 1) describe the target size and structure of guarantee funds of the electronic money issuer, ways of reaching them,
- 2) describe the planned level of profitability,
- 3) income and expenditure forecasts for the first three years, based on the results of market analysis,
- 4) financial projections for the next three years on the general demand for guarantee funds, other sources of guarantee funds and obligations, as well as the expected yield on guarantee funds.

6. Other provisions

- 1) the economic plan of the electronic money issuer should be reviewed according to the changes in the environment,
- 2) information with respect to which this Regulation does not set required forms can be submitted in free style,
- 3) the economic plan may also contain information which is not required by this Regulation but to which, however, initiating persons attach importance.

7. Necessary information to be enclosed

Enclosed to the economic plan are:

- 1) income and expenditure forecasts for the first three years,
- 2) calculation of the guarantee funds for the next three financial years,
- 3) declarations on financial and pecuniary liabilities assumed by prospective managers of the electronic money issuer and their related parties, including overdue and refinanced liabilities.

Annex 3

To Regulation 16/1 "On Procedure and Conditions for
Granting, Suspending and Terminating
Permission to Issue Electronic Money and
Requirements for Electronic Money Issuers"

DECLARATION ON COMPLIANCE WITH REQUIREMENTS FOR EQUIPMENT, HARDWARE AND SOFTWARE SYSTEMS USED IN ISSUING ELECTRONIC MONEY AND SAFETY REQUIREMENTS

I assure you that the standards for safety and for equipment, hardware and software systems used in issuing electronic money of electronic money issuing company -----

specify the name

are aligned with requirements set by Chapter 6 of Regulation 16/2.

I also declare that in case of changes with respect to standards for the place and technical saturation of the electronic money issuer (current and prospective changes in conformity with requirements set by Chapter 6 of Regulation 16/2) I shall inform in writing the Central Bank of the RA.

This declaration is truthful and complete. The electronic money issuing organization recognizes that the submission by the electronic money issuer of any false information in connection with this declaration may cause consequences provided by the legislation of the Republic of Armenia for the electronic money issuing organization and/or the head of the electronic money issuing organization.

Executive Director of the applicant,

name, surname

signature

seal

Annex 4

To Regulation 16/1 “On Procedure and Conditions for
Granting, Suspending and Terminating
Permission to Issue Electronic Money and
Requirements for Electronic Money Issuers”

**LIST OF DOCUMENTS SUBMITTED TO THE CENTRAL BANK BY THE MONEY
REMITTANCE ORGANIZATION FOR SUSPENSION OF THE PERMISSION TO ISSUE
ELECTRONIC MONEY**

Money remittance organization shall submit the following documents to the Central Bank of the Republic of Armenia in order to suspend the permission to issue electronic money.

1. notice on suspension of the permission to issue electronic money, specifying the period and the reasons of suspension of the permission to issue electronic money,

2. copy of the competent body's decision on suspension of the permission to issue electronic money,
3. financial report in accordance with Annex 6 (enclosed),
4. information on registration accounts opened in the system as of the moment of submission of the notice on suspension of the permission presented for each account holder to whom liabilities of the issuer determined by Regulation 16/2 have not been extinguished.

Annex 5

To Regulation 16/1 "On Procedure and Conditions for
Granting, Suspending and Terminating
Permission to Issue Electronic Money and
Requirements for Electronic Money Issuers"

**LIST OF DOCUMENTS SUBMITTED TO THE CENTRAL BANK BY THE MONEY
REMITTANCE ORGANIZATION FOR TERMINATION OF THE PERMISSION TO ISSUE
ELECTRONIC MONEY**

Money remittance organization shall submit the following documents to the Central Bank of the Republic of Armenia in order to terminate the permission to issue electronic money.

1. notice on termination of the permission to issue electronic money, specifying the reasons of termination of the permission to issue electronic money,
2. copy of the competent body's decision on termination of the permission to issue electronic money,
3. financial report in accordance with Annex 6 (enclosed),
4. information on registration accounts opened in the system as of the moment of submission of the petition to terminate the permission presented for each account holder to whom liabilities of the issuer determined by Regulation 16/2 have not been extinguished.

Annex 6

To Regulation 16/1 "On Procedure and Conditions for
Granting, Suspending and Terminating
Permission to Issue Electronic Money and
Requirements for Electronic Money Issuers"

**On liabilities in case of suspension and/or termination of the money remittance license of
the payment and settlement organization**

Name of the organization _____

Date from _____ to _____

Liabilities

	Total amount of liabilities (at the beginning of the period)	Extinguished liabilities (during the period)	Balance (at the end of the period)
With respect to electronic money			
With respect to systems			
Total			

Chairman of the organization _____

Seal

(Executive Director)

Chief Accountant _____