



capital
asset
management

CAMavor 1 VOLUNTARY PENSION FUND RULES

Approved by “Capital Asset Management” CJSC Board of Directors, April 29, 2013 decision number 2013.04.29-2

**Chairman of the Board:
A. Mkoyan**

Registered by Central Bank of RA

___/___/2013 decision number _____

Fund name:	CAMavor 1 Pension Fund
Fund status:	CONTRACTUAL
Fund type (based on investment policy):	STANDARD
Fund type (based on unit issuance and redemption structure):	OPEN

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This document presents the rules (hereinafter: “Rules”) of “CAMavor 1 Pension Fund,” which has been approved by the Board of Directors of “Capital Asset Management” closed joint stock company.

The long name of the Fund is “CAMavor 1 Pension Fund of “Capital Asset Management” closed joint-stock company.” Fund short name is “CAMavor 1 Pension Fund” or “CAMavor 1.”

1. BASIC DEFINITIONS

1.1. The definitions set forth are written in alphabetical order shall have the following meaning in the Rules unless otherwise expressly defined in the Rules.

« AIT law »	RA law “About Income Tax,”
« Annuity »	Has the meaning defined in RA law “About Insurance and Insuring Activities,”
« Business day »	any day that is not a Saturday or Sunday (with the exception of Saturdays and Sundays that are considered as working days according to RA legislation) or a holiday or memorial day as defined in RA law on “Holidays and memorial days,”
« Central Bank »	Central Bank of the Republic of Armenia,
« Custodian »	Fund Custodian defined in section 2.5.,
« Custodian fee »	fee paid to the Custodian for providing custodial services,
« Derivative Instrument »	Has the meaning defined in point 3 of article 3 of LSM,
« Diversification »	reduction in risks by concurrently investing in different assets, taking into account the risk contribution of each asset to the risk of entire group of assets,
« European Union »	a political and economic union of member states, created in 1993 based on Maastricht treaty,
« Fixed income securities »	Security, issuer of which (financial or non-financial organization) is obligated to make future payments of certain amount(s) in a specified period(s) set in advance, and investment fund shares that invest in those types of Securities,

«Foreign Securities»	Securities issued and tradable in foreign countries,
«Funded contributions»	as defined under section 21 of part 1 of article 2 of LFP,
«IFL»	RA law “About investment funds,”
«IFRS»	International Financial Reporting Standards accepted and applied by the International Accounting Standards Board.
«Insurance Company»	has the meaning defined in RA law “About Insurance and Insuring Activities,”
«Internet home page»	Internet home page of manager: www.capitalfunds.am .
«Investment fund»	Has the meaning defined in section 1 of part 1 of article 3 in IFL, and if it follows from the context then “Investment fund” or “fund” concept will also include foreign investment fund,
«Issue price»	unit placement price, which equals unit calculation value,
«LAA»	RA law “About accounting”
«LFP»	RA law “About funded pensions,”
«LSM»	RA law “About securities market,”
«Manager»	Fund manager mentioned in section 2.3.,
«Manager fee»	fee paid to the Manager for managing the fund,
«Manager Rules»	Effective “Fund Management Rules” approved by the respective governing body of the Manager,
«Material Event»	Events, that can impact the ability of the Company to meet its obligations as defined in RA legislation and these Rules and include one or several of the following situations: <ul style="list-style-type: none"> a) Market disruptions, including the unintended halt or unplanned interruptions of a regulated market (exchange), regular work disruptions in the regular activity of regulated markets, exchanges, banking system, payment system (including

technical disruptions),

- b) Situations arising as a consequence of insurmountable force.

Existence or lack of Material Event is determined by the Company.

«OECD»

founded in 1948 as Organization for European Economic Cooperation and renamed in 1961 according to convention of Economic Cooperation and Development as Organization for Economic Cooperation and Development.

«Participant»

A person, who wishes to buy a Fund unit or owner of Fund unit,

«Recordkeeping regulation»

“Voluntary Funded Pension and Investment Fund Unit Custody and Recordkeeping Regulation” of the Manager,

«Redemption fee»

the fee defined by section 14.6,

«Redemption price»

unit redemption price, which is defined according to the difference of unit calculation value and the Redemption fee,

«Registrar»

registrar defined in section 2.6.,

«Registry»

registry of Fund participants,

«Securities»

securities mentioned under sections 5.1.(b) through 5.1.(d) of these rules,

«Transit account»

special bank account opened for the customers of the Manager, where the participant transfers voluntary funded contributions for the future transfer to the account of the fund by the participant Registrar,

«Voluntary funded pension»

pension paid to fund participants after reaching the retirement age,

«Voluntary pension scheme acquired by

a scheme to which only employers or jointly employers and employees can make voluntary

The definitions not included in these rules have the meaning defined in RA legislation.

- 1.2.** Unless otherwise is regulated by these Rules or there is other meaning arising from its separate rule then in these rules:
- (a) if a word is mentioned in a singular form, then it also applies to its plural form and vice versa.
 - (b) a reference to any agreement, law, regulation, rule means a reference to that agreement, law, regulation, rule, its changes and additions, which have been made before these Rules become effective and after that,
 - (c) a reference to “legislation” means a reference to the Constitution of the Republic of Armenia and according to the laws ratified by the National Assembly of the Republic of Armenia or approved by the President of the Republic of Armenia and effective international agreements, the laws of the Republic of Armenia, and other legal acts, departmental acts, their changes and additions.

2. GENERAL PROVISIONS

- 2.1.** These Rules set out the basis for the activities of the Fund and the relations of the Participants with the Manager. The Rules have been set out in accordance with the effective legislation. In case the different provisions of the Rules conflict with each other or in case the Rules include misleading provisions, such provisions will be interpreted in accordance with the interests of the Participants.
- 2.2.** The Fund is an open-ended contractual investment fund and a voluntary pension fund within the meaning of effective legislation of the Republic of Armenia. These Rules have been approved by the board of directors of the Manager on April 29, 2013.
- 2.3.** The Fund is managed by Capital Asset Management CJSC, register code 1. Manager’s registered address is Khorenatsi 15, 2nd floor, suite 5, Yerevan, RA.
- 2.4.** The Fund is situated at the registered address of the Manager.
- 2.5.** The Custodian of the Fund is “VTB-Armenia Bank” CJSC, registered code 64, registered address: Nalbandyan 46, Yerevan, RA.
- 2.6.** Registrar is “Capital Asset Management” CJSC, registration number 1. Registrar’s registered address is Khorenatsi 15, 2nd floor, suite 5, Yerevan, RA.
- 2.7.** These Rules become effective following the 5th business day from the registration of the Central Bank and the purchasing of Fund units will become possible beginning from the 10th business day following the registration.

3. BACKGROUND FOR FUND OPERATIONS AND OBJECTIVES

- 3.1. Formed on the basis of a management agreement regulated by the civil code of the Republic of Armenia, the fund is a pool of money raised through public issue of units, and of other assets acquired from investing this money that belongs collectively to the Participants and that is managed by the Manager.
- 3.2. The background for Fund operations and the relations between Participants and the Manager are defined in the legislation, the Rules and the Rules of the Manager.
- 3.3. The main objective of the Fund is to provide Participants with a funded pension by managing the assets of the fund according to LFP, IFL and these Rules and securing the long-term asset growth of the fund.
- 3.4. The profitability of the Fund is not guaranteed to Participants.
- 3.5. Material Events can impact the ability of the Manager to meet its obligations defined in these Rules. In case of the latter the Manager does not bear responsibility for those violations that arose as a consequence of such Material Events.

4. FUND INVESTMENT POLICY

- 4.1. The Manager invests Fund assets in accordance with investment restrictions as provided in the legislation and the Rules.
- 4.2. To attain the objectives of the Fund, the Manager may invest the Fund's assets in assets listed under section 5.1. below. The Manager does not apply sector or regional approach when investing Fund assets, however, in making investments it takes into account the concentration level in a certain sector or region. Investments on the account of the fund can be made in AMD, as well as currencies of countries in OECD and the ruble of the Russian Federation. Fund assets may be invested in Fixed income securities and only in Investment Fund Securities investing in Fixed income securities as well as Derivative instruments based on these instruments, only for hedging purposes.
- 4.3. The main investment risks related to the Fund are described below, which takes into account that the investor is informed at average level, reasonable, is aware of his / her investment goals, and if necessary requests additional information from the Manager. The investments made in fund units are accompanied by a number of risks, which can have an impact on the profitability of the fund and the value of units:
 - (a) **Market risk** – the risk that the market price of Securities or other assets increases or decreases and thus affects the value of Fund assets. In order to mitigate market risk, sufficient information about assets into which Fund assets will be or have been invested is being acquired, the Fund's investments are Diversified and Derivative instruments may be used.
 - (b) **Credit risk** – the risk that an issuer of a Security belonging to Fund assets or a counterparty to a transaction made on account of the Fund does not fulfill its obligations in part or in full (e.g. a company cannot redeem on time the bonds issued by it). In order to reduce credit risk, Fund investments are Diversified and counterparties with low credit risk are preferred.

- (c) **Settlement risk** – risk that a transaction is not settled in the settlement system of Securities or assets at the prescribed time or in full due to failure of counterparty to a transaction to fulfill its obligations at prescribed time or in full. In order to minimize settlement risk, the trading is generally carried out on Regulated markets operating on the principle of “delivery versus payment.”
- (d) **Liquidity risk** – the risk of failure to liquidate and realize Fund assets in due time at prescribed fair price or to completely fulfill obligations on time. In order to minimize liquidity risk, Fund investments are Diversified and part of Fund assets may be invested in short-term debt Securities or invested in bank accounts. In addition, derivative instruments may be used to reduce liquidity risk.
- (e) **Foreign exchange risk** – the risk that due to movements in exchange rates the value of investment changes in an undesirable direction. Derivative instruments may be used for hedging foreign exchange risk.
- (f) **Custodian risk** – the risk of loss or destruction of assets kept by the Custodian due to Custodian insolvency, bankruptcy, negligence, or willful act.
- (g) **Issuer risk (Security price risk)** – the risk that the price of a specific Security may move in an undesirable direction upon appearance of unfavorable circumstances dependent on the issuer (e.g. due to management errors). In order to minimize issuer risk, Fund investments are Diversified and the activities of issuers are being analyzed and monitored.
- (h) **Inflation risk** – the risk that due to inflation the real value of investment may decrease as prices increase. The Fund may invest in inflation-protected instruments in order to control inflation risk.
- (i) **Political risk** – the risk that adverse developments or events (e. g. changes in legal environment) take place in countries in which Fund assets have been invested that could significantly influence the value of investments. In order to reduce political risk, Fund investments are diversified across different countries.
- (j) **Legal risk** – the risk that the legislation related to operation of the Fund, including the legislation regulating investment fund industry, particularly pension fund operations, Securities market and tax legislation may change.
- (k) **Operational risk** – the possibility of loss during fund management process due to the inadequacy of internal processes, the disruptions of programming and technical systems, human errors or external influences. In order to reduce this risk, the internal processes are always monitored, processes that pose risk are automated as much as possible, in addition reserve technical and programming system capabilities are utilized, information is frequently copied and saved in a separate location in order to restore it at any time, where possibly an important two party process is taking place or for checking and verification purposes.

5. INVESTMENT RESTRICTIONS

5.1. Fund assets may be invested in the following instruments:

- (a) bank deposits or accounts (including Russian Federation current bank accounts),
- (b) bonds, convertible bonds and other issued tradable debt Securities,
- (c) subscription rights and other tradable rights granting the right to acquire Securities specified in subsection 5.1.(b) above,
- (d) money market instruments,
- (e) derivative instruments only for hedging purposes,
- (f) shares and units of investment funds that invest only in Fixed income securities.

5.2. Weighting of each asset class, type of issuer, region and sector in the assets of the Fund shall be determined in the course of everyday management of the Fund in compliance with the Rules.

5.3. Restrictions on investment in deposits of credit institutions:

- (a) Pension assets can be invested or kept in such a bank, which is not in insolvency (bankruptcy) procedures,
- (b) The assets of the Fund invested in the deposits of credit institutions shall not amount to more than 20% of Fund assets. The assets of the Fund deposited in a single credit institution or in credit institutions belonging to the same group or in affiliated credit institutions shall not total more than 5% of Fund assets.

5.4. Restrictions on investment in securities:

- (a) The issuer of a Security acquired by the Fund shall be state, regional or local government, international organizations and other commercial organizations, including investment funds, which invest only in Fixed income securities,
- (b) Investments in Investment Funds the assets of which may, directly or through other Investment Funds, be invested in Fixed income securities are also deemed to be investments in Fixed income securities.
- (c) Investments in securities issued or fully secured by the CBA or Republic of Armenia or a foreign country or foreign central banks may not exceed 60% of fund assets. In case the value of investments in abovementioned Securities exceeds 30% of Fund assets, they shall be invested in at least three different issues (tranches) with amount of each no more than 20% of Fund assets.
- (d) Assets of the fund can be invested in Securities, which are freely tradable and are permitted to trade in the Regulated markets of the Republic of Armenia, OECD and EU member states, as well as Russian Federation.

- (e) The total volume of investments in the Securities of the Republic of Armenia municipalities, issued by foreign state self-governing body, or fully guaranteed Securities cannot exceed 30% of fund assets.
- (f) Investments in the Securities of one issuer in the assets of the fund cannot exceed 10% of fund assets, and investments in the Securities of affiliated issuers cannot exceed 15% of fund assets,
- (g) Fund investments in Securities issued by one person, by persons belonging to the same group or by affiliated persons shall not be more than 20% of total issued Securities.
- (h) Investments in the Securities issued by securitization funds according to the law of Republic of Armenia “About asset securitization and asset-backed securities” can be made only in mortgage-backed securities, in addition those investments cannot exceed 5% of fund assets.
- (i) Total volume of investments in the Securities of collateralized mortgage obligations issued by the banks and other credit organizations regulated by the central bank of the Republic of Armenia cannot exceed 30% of fund assets. Same restrictions are also applied to collateralized mortgage obligations issued by foreign banks; in addition the funds received from placing these obligations should be invested in such assets that are:
 - (A) sufficient to secure (cover) the fulfillment of liabilities during the entire period of validity of those debt Securities, and
 - (B) in case of insolvency or bankruptcy of issuing banks the priority is given to the fulfillment of liabilities toward the owners of those debt Securities (compensation for the Security principal (nominal value) and accrued interest).

5.5. The restrictions on investments in shares and units of Investment Funds:

- (a) The assets of the Fund may be invested in securities issued by other Investment funds up to the following limits:
 - (A) up to 25% of Fund assets may be invested in Securities issued by an Investment Fund. In addition, investments in Securities issued by an Investment Fund shall not total more than 5% of Fund assets unless the Investment Fund meets the following requirements:
 - (i) it is an open-ended public, standard, diversified Investment Fund registered in the Republic of Armenia,
 - (ii) it is an open-ended public Investment Fund registered and supervised by the foreign country’s financial supervision authority and according to its rules at least 90% of Investment Fund assets must be invested only in deposits of credit

institutions, government bonds, Securities tradable in regulated securities markets,

- (iii) Investment Fund operation results are reported in semi-annual and annual reports which include the statement of assets and liabilities, income and expense statement and the statement of investments of the Investment Fund.

(B) In the same Investment fund or Investment funds managed by the same manager or in the Investment funds of managers considered being affiliated according to LSM, the investments should not exceed 20% of Fund assets. Moreover, the Securities issued by other Investment funds managed by the Manager, including Securities issued by the Investment funds which the Manager manages as a third party to whom the duties of the manager are transferred, may be acquired and held on account of the fund in case all of the following conditions are met:

- (i) investment policies of the Investment fund and the Fund differ significantly;
- (ii) Manager does not charge a Redemption fee or Issuance fee.

5.6. Restrictions on the investments in derivative instruments:

- (a) The assets of the Fund may be invested in Derivative instruments only for the purpose of achieving its investment objectives or hedging the risks.
- (b) The value of a derivative transaction with one counterparty may not exceed 10% (for bank counteragents) and 5% (for non-bank financial institutions) of Fund assets. The value of total risk in regard to all Derivative instruments included in Fund's assets shall not be greater than total value of Fund assets.

5.7. Other restrictions on the funds:

- (a) The Manager can delay the investments in foreign countries until fund assets exceed 300,000,000 (three hundred million) AMD and until the Custodian has an investment servicing agreement for foreign custody in a foreign country,
- (b) Investments made in the same foreign country should not exceed 20% of Fund assets. In fact:
 - (A) Investments in Foreign Securities should not exceed 50% of Fund assets.
 - (B) Debt securities should have at least Standard and Poors rating of "BBB-," "Baa3" for Moody's Investors Service or "BBB-" for Fitch Rating, with the exception of Securities mentioned in subsection 5.4.(c).
 - (C) Foreign securities mentioned in subsection 5.4.(d) that do not satisfy the requirements in paragraph 5.7.(b)(B) or do not have an investment rating should not exceed 10% of Fund assets.
- (c) investments made in foreign currency should not exceed 50% of Fund assets.

- (d) Investments of the assets of voluntary funded pension fund denominated in any one foreign currency cannot exceed 15% of total assets of given voluntary pension fund.
- (e) Overseas fund assets can be invested in:
 - (A) deposits and bank accounts of financial institutions regulated and licensed by authorized regulatory body of the banking system of OECD or EU member states,
 - (B) Securities issued or fully guaranteed by OECD or EU member states, the central banks of OECD or EU member states,
 - (C) Securities issued or fully guaranteed by the municipalities of OECD or EU member states,
 - (D) Securities permitted to trade in regulated markets registered by the authorized capital market regulating body of OECD or EU member states,
 - (E) shares of fixed income investment funds registered by the authorized capital market regulating body of OECD or EU member states, the assets of which cannot be invested in equity securities and derivative instruments based on equity securities,
 - (F) Securities of Russian Federation, that satisfy the criteria defined by the Central bank,
 - (G) derivative instruments only for hedging purposes.

Central bank can define a list of other countries, where the assets of voluntary pension fund can be invested.
- (f) The value of Securities included in the Fund's assets that are issued by the same person including deposits placed with this person and exposures arising from Derivative transactions undertaken with this person shall not total more than 25% of the Fund's assets.
- (g) fund assets cannot be invested in:
 - (A) Securities issued by the fund manager (Capital Asset Management) and custodian as well as all entities associated with them,
 - (B) Securities issued by the auditing entity of the fund manager (Capital Asset Management) or custodian,
 - (C) Securities issued by entities providing advisory services to the fund manager (Capital Asset Management) or custodian,
- (h) Fund assets cannot be invested in such assets the sale of which is prohibited or restricted,

- (i) Fund assets cannot be invested in real estate or other physical assets (art works, collectable coins, religious icons, antiques, expensive cars etc.).
- (j) The assets of the Fund shall not be invested in precious metals and Securities which grant rights with regard to precious metals,
- (ja) On behalf of the Fund, it is prohibited to:
 - (A) issue debt securities;
 - (B) grant a loan and assume obligations arising from a contract of pledge or guarantee contract.
- (jb) Manager has, on behalf of the Fund, the right to take a loan, enter into repurchase or reverse repurchase agreements and conclude other Securities-borrowing transactions in an amount which total up to 10% of the Fund assets. The term of any loan taken or duration of obligation assumed on account of the Fund may not exceed three months,
- (jc) Mentioned restrictions are maximum allowable and the actual distribution of fund assets in any given circumstance will be done taking into account the interests of investors and investment principles of fund assets and manager's fiduciary duty toward the stakeholders of the fund.

6. FUNDED CONTRIBUTIONS INTO THE FUND

- 6.1.** Funded contributions into the fund are done entirely on non-cash basis, by means of transfer to the transit account.
- 6.2.** The amount of Funded contributions depends on the type of participant of the pension scheme, which could be individuals and (or) employers.
- 6.3.** The monthly Funded contribution amount to the Fund is not limited, except for the Participants of voluntary pension scheme acquired by employer. In case of individuals the payments can be made in any amount and frequency, depending on the preferences of the latter, and the type of income that is a source of a voluntary funded contribution. In case of individuals a separate agreement is not signed, the latter confirms his or her wish to abide by the rules and the internal rules of the Manager including familiarity with the Recordkeeping regulation.
- 6.4.** For the voluntary pension scheme acquired by the employer, the amount of monthly Funded contributions for participants is determined by the agreement as well as other conditions.
- 6.5.** When one individual makes payments for another, the conditions established for individuals will apply. One individual can make payments for another if there is already an open pension account, or if the payer acts as an authorized person.
- 6.6.** Funded Contributions to the Fund are made in AMD.

- 6.7.** The Participant can reduce his/her taxable income by the amount of Funded contribution, but not exceeding 5% of taxable income.
- 6.8.** In determining employer taxable profit, the Funded contributions into the Fund made by the employer for the Participants, are reduced up to a maximum of 5% of each Participant's total compensation including salary, bonuses and rewards. Total reduction from Employer and Participant combined may not exceed 5% of a given Participant's total compensation including salary, bonuses and rewards. In case of changes in the limits for allowable reductions pursuant to RA legislation, the limits defined in these rules will be changed accordingly and those defined by RA legislation will be applied as the effective limits.
- 6.9.** In determining employer taxable profit, the Funded contributions made by the Employer for Participants are also reduced in the amount of 50% of each Participant's Funded contribution, but not more than 2.5% of each Participant's total compensation including salary, bonuses and rewards. Moreover, the amount of reduction defined by employer according to this section and section 6.8. may not exceed 7.5% of each Participant's total compensation including salary, bonuses and rewards. In case of changes in the limits for allowable reductions pursuant to RA legislation, the limits defined in these rules will be changed accordingly and those defined by RA legislation will act as the effective limits.

7. FUND UNITS AND THE RIGHTS AND OBLIGATIONS INHERENT IN THE UNITS

- 7.1.** A unit represents the Participant's share in the assets of a Fund. A unit may not belong to several persons at the same time. One person can choose more than one fund simultaneously. The ownership of units shall not be shared between spouses. Units shall only be acquired or owned by natural persons and the Manager or person who has operated as a manager in compliance with the law. Units of the Fund are inheritable. Units may not be transferred or separated from fund assets.
- 7.2.** The unit does not have a nominal value. When placing the first fund unit, the calculation value of each unit is 1000 AMD.
- 7.3.** A unit is divisible. The fractions of units that emerge from dividing units are rounded up to three decimal points. The following rules are applied for rounding: numbers NNN.NNN0 until NNN.NNN4 are rounded to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded to NNN.NN(N+1).
- 7.4.** The units are accounted in electronic format in the pension account (units are not in a paper form).
- 7.5.** A unit does not grant a Participant the right to make decisions regarding the transactions made with assets of the Fund. General meetings of Participants shall not be held, i.e. the Participants shall not participate in the management of the Fund through general meetings. A Participant may not request that the Participant's share be separated from the assets of the Fund.
- 7.6.** The Participants have the following rights resulting from ownership of units:

- (a) to demand that Participant's units are redeemed or exchanged according to the Rules and legislation,
- (b) to bequeath Participant's units,
- (c) to enter into an Annuity agreement for the amount of redeemed units or part of it,
- (d) to own a share of Fund assets corresponding to the number of units owned by the Participant,
- (e) to receive, pursuant to the Rules, a share of assets remaining upon termination of the Fund in proportion to the number of units owned by the Participant in monetary terms,
- (f) to demand that the Manager compensate for the damage caused by breach of its obligations,
- (g) to request a statement from the Registrar regarding the units under its management in the pension account.
- (h) to receive information from the Manager regarding implementation of rights carried by the Securities included in the Fund within 7 Business days of presenting the request,
- (i) to receive the documents and information specified in section 20.1. by an e-mail without any charge and, if appropriate request is submitted receive copies of documents specified in subsections 20.1.(a) – 20.1.(i). once a year without charge,
- (j) to perform other acts prescribed by law or the Rules.

7.7. The rights and obligations attached to a unit owned by a Participant shall enter into force upon issuing a unit and shall terminate upon redeeming a unit. A unit is deemed issued upon registration thereof in the Register and a unit is deemed redeemed upon cancellation thereof within the Register. Ownership of a unit is proved by a record in the Register.

7.8. A Participant must exercise the rights attached to units in good faith and in accordance with the legislation and the Rules,

7.9. A Participant is not personally liable for obligations of the Fund assumed by the Manager on behalf of the Fund, or for the fulfillment of obligations for which the Manager has the right to demand from the Fund pursuant to the Rules. The liability of the Participant for fulfillment of such obligations is limited to the Participant's share in the assets of the Fund.

7.10. The Manager cannot assume obligations on behalf of Participants. Fees necessary for satisfying Participant demands may be charged from units owned by the Participant, however, not from Fund assets.

8. VALUATION OF FUND ASSETS

8.1. The rules for valuation of cash and cash equivalents and deposits of credit institutions are:

- (a) cash and cash equivalents and deposits of credit institutions are valued at nominal value.
- (b) accrued interest is included in the value of deposits of credit institutions in the form of accrued income as of the valuation date.

8.2. Valuation of Securities traded on a Regulated market is carried out in the following way:

- (a) Securities traded on a Regulated market are valued based on closing price as of the valuation date unless something else is required by the Rules,
- (b) In the absence of the above closing price in subsection 8.2.(a) for a Security, the arithmetic mean of the lowest ask price and the highest bid price as of the end of trading session on valuation date is used instead.
- (c) If the closing price and the price specified in subsection 8.2.(b) for a Security are not available (or do not exist), the Security is valued at the latest known corresponding price, which is determined based on the order set out in subsections 8.2.(a) and 8.2.(b), except for the cases specified in subsection 8.2.(f).
- (d) As provided for in subsections 8.2. (c), if a material event with respect to the security or its issuer has taken place since the date of the last transaction price or of the last known price, that may materially affect the price of the Security, the Manager may respectively adjust the price of the security determined in accordance with above points when establishing the market value of the Security.
- (e) In the absence of prices specified in subsections 8.2.(a). to 8.2.(c) for the last 30 business days as of the valuation day, the valuation of Securities traded on a regulated market is carried out in compliance with the subsection 8.2.(f).
- (f) In cases specified in subsections 8.2.(d) and 8.2.(e) valuation of Securities is based on reasonable prices that the Securities could be sold at using fair valuation methods generally accepted in the financial industry and taking into consideration the discount for the lack of liquidity where needed. This valuation is reviewed by the manager at least once every 30 business days. For Securities these methods include but are not limited to the following valuation methods for each Security type listed in the manner of their priority:
 - (A) for non-treasury Securities:
 - (1) The yield of a buy order offered by the market maker of the non-treasury Securities.
 - (2) For non-treasury Securities, the sum of the yield of treasury Securities tradable on regulated markets and the respective spread is applied.

(3) For RA non-treasury Securities, in addition to above methods, corporate security prices published by the central bank of RA are also applied.

(B) For RA Treasury Bonds non-tradable on Regulated markets, the valuation is carried out based on the yield published by the Central Bank.

8.3. Valuation of other fund shares (stocks) is carried out by the following rules:

- (a) Units, shares and rights of other Investment Funds are valued based on latest reported net asset values unless something else is required by the Rules.
- (b) Valuation of units, shares and rights of other Investment Funds traded on a regulated market is based on one of the following values, whichever has been recently updated:
 - (A) latest reported net asset value of units, shares and rights of the Investment Fund,
 - (B) last closing price of units, shares and rights of the Investment Funds as of the date of valuation.
- (c) Valuation of units, shares, non-public Investment Funds is carried out in compliance with the subsection 8.2.(f).

8.4. Valuation of derivative instruments is carried out by the following rules:

- (a) Valuation of standardized (tradable in Regulated markets) Derivative instruments is carried out in compliance with the subsections 8.2.(a) to 8.2.(c).
- (b) Valuation of non-standardized Derivative instruments is carried out based on the expected profit/loss of the open position (long or short). The latter is determined based on the valuation of underlying asset of the Derivative instrument carried out by the sequence defined in section 8.2.

8.5. Valuation of overdue receivables is carried out by the following rules:

- (a) If the issuer does not fulfill its obligations towards Securities (including redemption, partial redemption, coupon payment), the following percentages are subtracted from the value of receivables for such debt securities:
 - (A) within 90 days following the scheduled date of payment, 10% subtracted daily in equal amounts,
 - (B) within 91 to 180 days following the scheduled date of payment, 10% subtracted daily in equal amounts,
 - (C) within 181 to 270 days following the scheduled date of payment, 30% subtracted daily in equal amounts,
 - (D) within 271 to 360 days following the scheduled date of payment, 50% subtracted daily in equal amounts.

(b) The valuation of overdue receivables is carried out in compliance with the subsection 8.5.(a) above.

8.6. The value of repurchase and reverse repurchase transactions is determined in accordance with the IFRS rules.

8.7. Valuation of Fund assets is carried out every Business day. The calculation of net asset value of the Fund on a given day is based on the available information as of 03:00 of the following day.

8.8. The valuation of assets is based on prices of the regulated market from where a given Security was first purchased.

9. UNIT NET ASSET VALUE AND INCOME DISTRIBUTION

9.1. The net asset value of the Fund shall be established in accordance with the relevant principles set forth in internal Rules of the Manager and in rules provided by RA legislation. The net asset value of the Fund and of a unit shall be calculated in Armenian Drams. The net asset value of the Fund shall be determined based on the market value of the assets of the Fund from which liabilities/claims against the Fund are deducted. The exhaustive list of these liabilities/claims is as follows:

(a) Management fee,

(b) Custodian fee,

(c) as a result of exchange of units, fees subject to payment to other pension funds,

(d) payables to fund participants, base on amounts of requested redemptions,

(e) expenses directly related to transactions with Fund assets, brokerage fees and other commissions for trade executions, expenses related to investment advisory and research services, money transfer and settlement charges

(f) loans (credits) received on behalf of the fund,

(g) interest payables related to loans (credits) received on behalf of the fund (including interest on repurchase and reverse repurchase transactions),

(h) mandatory charges payable from the assets of the fund,

(i) costs related to auditing of Fund's reports,

(j) legal expenses which include legal opinion expenses in regard to legal due diligence of new investments, litigation costs and regulatory compliance expenses.

9.2. Expenses related to the audit of Fund's financial activity are reduced from Fund's assets starting from the second year of Fund's activity. Expenses related to the audit of financial reports for the first year are covered by the Manager.

- 9.3. If after determining the net asset value of the Fund an event or circumstance occurs or appears which to the Manager's best professional knowledge materially affects the net asset value of the Fund, then the Manager may re-evaluate the net asset value of the Fund or of a unit provided that failure to carry out such re-evaluation would damage the interests of Participants.
- 9.4. The net asset value of a unit equals the net asset value of the Fund divided by the number of units issued and not redeemed as of the moment of valuation.
- 9.5. The net asset value of the Fund and of a unit, and the Issue and Redemption price of a unit shall be calculated and published at least once every Business day no later than 12:00. A unit's net asset value and Issue and Redemption price shall be rounded up to four decimal points. The Manager shall retain the collected Redemption fee.
- 9.6. Fund income shall not be distributed to Participants but shall be re-invested. Fund profit/loss shall be reflected in the changes of a unit's net asset value.
- 9.7. Fund profitability is calculated and published according to regulation 10/17 "Methodology of calculating the profitability of pension fund assets and the standards for presenting information about profitability."
- 9.8. In order to compare the profitability of the Fund and the productivity of the Manager, the participants can compare those to the profitability of a more suitable financial instrument from their point of view. The Manager in three years from the time of creation of the Fund, will construct and present a benchmark, based on which the participants will have the opportunity to assess the profitability level of the Fund in comparison to the benchmark and assess the productivity of the management.
- 9.9. The benchmark will be constructed based on the standards for comparable instruments/indexes/market standards (standards) with regard to risk, profitability, time horizon of different groups of assets. In other words, a market index will be chosen against which a given group of assets will be compared. The benchmark will be calculated for each of the asset groups taking the weighted average of the chosen standard. Applicable weights for each asset group (treasury bonds, corporate bonds, deposits, Armenian stocks, foreign stocks) will be calculated based on the structure of Fund assets during three years. More detailed methodology approved by the board as well as the calculation of weights will be presented on Manager's website within the time period mentioned in this section, and the year after that a calculated benchmark will be published.

10. THE ACCOUNTING POLICY OF THE FUND

- 10.1. Fund accounting and financial reports are prepared according to IFL, LFP, LSM, LAA, IFRS and the legal acts of the Central Bank related to fund accounting and organizing of reports.
- 10.2. A reporting period is considered a period defined by RA legislation: a reporting year (calendar year), reporting quarter (calendar quarter) and reporting day (Business day), and

also month or week in cases regulated by legal acts of the Central Bank or by corresponding laws.

- 10.3.** Financial asset or financial obligation should be recognized in the report regarding the financial state of the Fund only in those cases, when the Fund becomes a party to an agreement.
- 10.4.** During initial recognition, financial asset or financial obligation is measured by fair value. The expenses related to acquisition of financial asset or financial obligation or directly attributed to issue transactions, are not included in the initial measurement, but are recognized as expenses in the profit or loss.
- 10.5.** Bank deposits, extended and received credits, debit and credit loans are measured based on amortized value, applying the method of effective interest rate.
- 10.6.** Financial assets and financial obligations “Measured by fair value through profit or loss” after initial recognition, are measured by fair value. The gain or loss from changes in fair value is recognized in the profit or loss.
- 10.7.** Financial assets are classified as “Measured by fair value through profit or loss,” if it is not defined otherwise by legal acts of the central bank.
- 10.8.** The derecognition of financial assets and financial liabilities are carried out according to IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9 “Financial instruments” is not applied retroactively.
- 10.9.** Interest income, including interest income “measured by fair value through profit or loss” for non-derivative financial assets, is recognized on a time proportional basis, applying the effective interest on the remaining principle, which is the rate that discounts the future cash flows to the book value of that asset for the expected duration of the financial asset.
- 10.10.** Management fee is calculated and recognized according to these Rules.
- 10.11.** Custodian fee is calculated and recognized according to these Rules. All expenses defined in these Rules related to Custodian services are recognized on the day of performance based on actual cost.
- 10.12.** In case of exceeding the maximum amount of expenses that may be incurred by the fund defined by Fund rules, the excess amount of expenses are recognized as active claim against the Manager. Any following day, if its value declines, the value of that asset also declines accordingly, and when expenses become equal or less than the set percentage, then that asset’s value declines to zero.
- 10.13.** The functional currency of the Fund is Armenian dram (AMD), and any other currency is considered foreign currency. Transactions with foreign currency are exchanged to AMD based on the spot rate on the day of transaction. The spot rate of AMD is the rate of the last transaction in the regulated market on the day of valuation. In cases when this rate is not

available, then the calculated exchange rate published by central bank of RA on the day of valuation is used.

- 10.14. Monetary assets and liabilities presented in foreign currency are changed to AMD using the spot rate based on the reporting month.
- 10.15. Non-monetary assets and liabilities held in foreign currency that are measured in real value are recalculated using the spot rate of AMD on the day of calculation of real value.
- 10.16. Exchange rate differences are recognized in the profit or loss and are presented as net exchange gain or loss, with the exception of exchange differences of financial instruments “measured by real value using profit or loss,” which are presented as part of net gain of financial instruments “measured by real value using profit or loss.”

11. UNIT ISSUE AND REDEMPTION PRICES

- 11.1. In executing transactions, Investor or Participant present to the Manager (1) Purchase request, (2) Redemption request or (3) Exchange request (4) Inheritance application, as well as other requests and applications according to the Recordkeeping regulation.
- 11.2. For requests presented before 18:00 of a given Business day, a calculation day is considered the following Business day (the calculations are based on the Issue and Redemption prices published on the following Business day). If the request is presented, however a payment against the unit has not been made, then for the payments made before 18:00, a calculation day is considered the following Business day.
- 11.3. Participant does not have the right to cancel or make changes to the Purchase, Redemption or Exchange requests after submitting them. Investor presenting Purchase, Redemption or Exchange request, should secure the necessary conditions for completing the transaction on time. During acquisition of units, the Participant should transfer the funds subject to payment to the Transit account in due time. In case of failing to fulfill the obligations on the part of the Participant, the Manager can use any legal means defined by legislation, including canceling the transaction, as well as requesting compensation for the damages caused by the Participant to the Fund or other Participants.
- 11.4. The units are issued before 13:00 of the following day of Purchase request (but not later than the receipt of payment for the units) at the Issue price. When issuing Fund units, the Manager does not charge any issue fee.
- 11.5. The units are redeemed at the Redemption price published before 13:00 on the Business day following the day of the redemption request.

12. ISSUE OF UNITS

- 12.1. The units are issued by the Manager. The issue of units is public. Units of the Fund are issued on a continuous basis and the volume of the issue of units and the number of units to be issued shall not be fixed.

- 12.2. The units are issued after funds sufficient for investment are transferred to the transit account. The quantity of issued units is determined by the ratio of the amount of investment to the Issue price.
- 12.3. Purchase request includes Fund selection application which includes personal information about the Participant, contact information, preferred method for receiving the necessary information, the complete list of which is defined in the Recordkeeping Regulation.
- 12.4. By presenting the purchase request for units the Participant is obligated to make voluntary funded contributions according to the conditions and processes defined by the legislation and these Rules.
- 12.5. The employer or other person provided for by law is obligated to compensate the participant and transfer the Funded contributions to the Transit account.
- 12.6. Upon receipt of Funded Contributions and the information pertaining thereto, the Registrar shall calculate the number of units to be issued to the Participant based on the Issue price, and the number of units is reflected on the Participant's pension account. If a whole number of units cannot be acquired for a given contribution, then the corresponding fractional number of units is recorded on the Participant's pension account.
- 12.7. The funds transferred to the transit account are returned, if
 - (a) the corresponding request or information has not been sent to the Manager within 10 days after receiving it,
 - (b) the personal identification information in the request or the transfer order or other information noted in the Recordkeeping regulation is incorrect or not available.

13. EXCHANGE OF UNITS

- 13.1. The Participant has the right to exchange his/her units by other voluntary pension fund units at any time, with the exception of Participants in the voluntary pension scheme acquired by the Employer. For the purpose of exchanging units, the Participant presents to the Manager the application for Exchanging units that includes the information defined by the legislation.
- 13.2. The Participants in the voluntary pension scheme acquired by Employer, have the right to exchange their units for units of other voluntary pension fund, only in the following cases:
 - (a) after terminating employment agreement with the employer,
 - (b) after terminating the agreement signed between the employer and the Fund (Manager),
 - (c) after employer liquidation.
- 13.3. All Fund units subject to exchange are exchanged at the same time.
- 13.4. Exchanging X units for Y units, the quantity of newly issued Y units is determined in the

following way:

- 13.5.** $Q_{new} = Q \times \frac{NAV(X)}{NAV(Y)} \times (1 - Fee(X, Y))$, where Q_{new} is the number of new Y units to be issued upon exchanging units, Q is the number of X units to be exchanged, NAV(X) and NAV(Y) are the net asset values of X and Y units, respectively, Fee is the Redemption fee. Redemption fee is not charged from the Participant for exchanging Fund units for other voluntary pension fund units of the Manager.
- 13.6.** For exchanged X units the calculation day is determined by the time of presentation of Exchange request, and for newly issued Y units the calculation value is determined based on the time of providing the order to the Registrar for transferring the funds from the Fund to another fund (respective terms and procedures for accepting requests as defined by these Rules for unit redemption or issue are applied).
- 13.7.** When exchanging units no payment is made to the Participants. In exchanging units for units of a fund managed by another manager, funds equivalent to the quantity of exchanged units and the redemption price, are transferred to the custodian bank account defined in the rules of the fund for implementing the exchange of units.

14. REDEMPTION OF UNITS AND NECESSARY PAYMENTS

- 14.1.** The redemption of units is realized through their buyback. In order to redeem the units, the Participant presents a Redemption request to the Manager. The funds subject for payment to the Participant are paid from Fund assets. The latter is determined by taking the product of Redemption price and unit quantity. The amount of redeemed units is paid to the hundredths decimal place. On the day of redeeming the units (calculation day), redeemed units are written off from the Registry and the rights and obligations inherent in those units are terminated. The units are redeemed no later than the third Business day following the day of accepting Redemption request, with the exception of suspension of unit redemption. For units already redeemed the payment is made independent of the suspension.
- 14.2.** Before reaching the retirement age, the Participant has the right to present a request for lump-sum payment of his accumulated funds, if at least two years have passed since the day of the first Funded contribution and at least one of the two following cases is true:
- (a) employment agreement termination with the employer, or
 - (b) employer liquidation.

In this case, the Participant can be charged a Redemption fee defined in section 14.6.

- 14.3.** Before reaching the retirement age, the Participant has the right to receive his/her funds in the form of a lump-sum payment in the following cases without the payment of the Redemption fee defined in section 14.6., if two years have not passed since the day of the first Funded contribution:

- (a) in case of recognition of a person as having a disability of third degree as defined in the legislation,
- (b) Participant being in extremely severe condition and having a terminal illness of vital organs, which is assured by the opinion of the authorized governing body in the health care industry in the Republic of Armenia.
- (c) in case when a citizen of the Republic of Armenia renounces his/her citizenship and leaves to a foreign country for permanent residence,
- (d) in case of foreigners working in Armenia and returning to the country of their permanent residence,
- (e) in case of termination of the fund.

14.4. Before reaching the retirement age, the Participant has the right to present the request for a lump-sum payment of his/her accumulated funds at any time, if at least two years have passed since the day of the first Funded contribution from a given participant, by paying the Manager the Redemption fee defined in section 14.6.

14.5. Before reaching the retirement age, the participant has the right to present the request for a lump-sum payment of his/her accumulated funds at any time, without paying the Redemption fee defined in section 14.6. in the following cases, if at least two years have passed since the day of the first Funded contribution (with the exception of subsection (f)):

- (a) the participant is recognized in the manner established by legislation as a person having the third degree of disability in terms of engaging in employment activities,
- (b) on the basis of conclusion issued by authorized entity recognized as such by the Government of the Republic of Armenia that the participant suffers from a severe health condition and incurable disease of vital organs,
- (c) the citizen of the Republic of Armenia is leaving abroad for permanent residence and is revoking the citizenship of the Republic of Armenia,
- (d) the foreign citizens who were working in Armenia depart to their country of permanent residence,
- (e) in case of Fund termination,
- (f) in case when more than 10 years have passed from the day of making the first funded contribution to the fund.

14.6. When redeeming fund units, Redemption fee is not charged when switching accumulated funds, Periodic withdrawal payments or Lump-sum payments (by means of redeeming units partially or entirely) as defined in LFP to Annuity, as well as in cases of the Participant exchanging the units of the Manager with another voluntary pension fund units and termination of the Fund. The Redemption fee is paid by the Participant redeeming the units.

The Manager at its discretion can decide to waive the Redemption fee or reduce it at any time. The Redemption fee is 1% of the calculation value of the unit.

- 14.7.** In order to receive voluntary funded pension, the Participant has the right to sign an Annuity agreement with the Insurance Company or present an application according to these Rules and the procedures defined by LFP for Periodic withdrawal payments or for receiving a Lump-sum payment from the Fund.
- 14.8.** The Lump-sum payment received for the purpose of voluntary funded pension, as well as the Lump-sum payment received before reaching the retirement age according to the sections 14.1., 14.2. and 14.3. of these Rules, are taxed according to the following rates of RA law “About Income Tax:”

Amount of Lump-sum payment	Tax amount
Up to 120,000 AMD	24.4% of Lump-sum payment
120,000-2,000,000 AMD	26% of the amount exceeding 120,000 AMD plus 29,280 AMD
Above 2,000,000 AMD	36% of the amount exceeding 2,000,000 AMD plus 518,080 AMD

- 14.9.** Voluntary funded pensions received in the form of Annuity or Periodic withdrawal payments are taxed at 10% according to RA law on Income Tax.
- 14.10.** In order to receive a voluntary funded pension, a Participant enters into an Annuity agreement with the Insurance Company. In order to enter into an Annuity agreement, the Participant shall choose an Insurance Company and submit an application to the Manager to redeem the Units and transfer the subsequent amount to the Insurance Company’s account based on the information provided by the Participant.
- 14.11.** Upon entering into an Annuity agreement, all Fund units held by the Participant shall be redeemed.
- 14.12.** By selecting the Periodic withdrawal payment option, the Participant acquires the right for receiving funded pension from the Fund.
- 14.13.** Redeeming Fund units on a quarterly basis for pension payment in the form of Periodic withdrawal payments cannot exceed 10% of the Fund units belonging to the Participant at the time of making the first periodic payment. And the duration for periodic payments cannot be less than 3 years.
- 14.14.** The participant submits a redemption request to the Manager through the Registrar in order to redeem fund units. Redemption request can be submitted any Business day. The units are redeemed at the published Redemption price before 13:00 at the published Redemption price. As a result of Redemption the payment amount to the participant is calculated based

on the product of the Redemption price and the quantity of redeemed units noted in the redemption request. The units are redeemed not later than the following third Business day from the time of the acceptance of the redemption request by the Registrar, with the exception of cases when redemption of units has been suspended.

- 14.15.** Periodic withdrawal payments are terminated in case of Participant death or depletion of units in the account.
- 14.16.** Choosing the option of lump-sum payment the Participant has the right to demand the redemption of all the units and payment of the corresponding amount at once.
- 14.17.** If the Participant acquires additional units after submitting an application for lump-sum payment, but before the lump-sum payment is made all the units held by the Participant are redeemed and a lump-sum payment is made to the Participant.
- 14.18.** In order to receive a lump-sum payment, the Participant shall follow the procedures described in section 14.1. The Custodian shall organize the redemption and the process of making the payment.
- 14.19.** The redemption of units may be suspended upon decision of the Manager or by a precept issued by the CBA.
- 14.20.** Unless otherwise stipulated by the IFL and/or regulations of the CBA, the Manager may suspend the redemption of units of the Fund for up to three months on any of the following grounds:
 - (a) if regular Fund management can be negatively impacted as a result of unit redemptions, or
 - (b) if Fund Securities or other assets cannot be sold quickly under reasonable conditions without causing damage to the Fund and Participants, or
 - (c) if the interests of the Participants will be substantially damaged by this.
- 14.21.** The Manager shall inform the CBA and the Custodian in advance about suspension of the redemption of units and the reasons there of.
- 14.22.** The CBA may require the Manager to suspend the redemption of units if this is necessary in order to protect the legitimate interests of the Participants.
- 14.23.** The Manager shall publish a notice concerning suspension of the redemption of units in national newspaper with at least 3000 circulation and on the home page of its Website. No units shall be issued or redeemed during the time redemption of units of the Fund is suspended.

15. INHERITANCE OF UNITS

- 15.1.** Units of the Fund are inheritable.

- 15.2.** By heir selection Fund units:
- (a) may be exchanged by voluntary pension fund units of the heir,
 - (b) may be redeemed and the funds resulted from redemption are transferred to the heir in form of a lump-sum payment or
 - (c) may be transferred to account opened at pension fund Manager of the heir.
- 15.3.** In order to redeem units, exchange the inherited units of the voluntary pension fund or make a transfer to the inherited pension account opened with the Manager, the Heir submits an application for inheritance to the Manager, attaching to it the inheritance certificate.
- 15.4.** Within 10 Business days after receiving the application, the Manager implements one of the activities requested in the application under section 15.2.
- 15.5.** In case of the Participant Fund units being deemed to have no heir by court order, the units shall transfer to the state budget of the Republic of Armenia.

16. FUND MANAGER RIGHTS AND OBLIGATIONS

- 16.1.** The background for operations of the Manager is laid down in the articles of charter of the Manager, the Rules and the legislation.
- 16.2.** The Manager has the right to possess and manage Fund assets and execute all the rights arising from these assets. The Manager executes fund transactions on his behalf using Fund assets (including investment of Fund assets) stating, that it acts as a fund manager. The requirements defined in this rule and that of part 6 of article 968.1 of the civil code of RA, will be considered fulfilled when the Manager designates “F.M.” in written documents after its name.
- 16.3.** The Manager has the right to aggregate the fund request for execution of Securities transactions. The main principles of trade allocation policy, provisions for prevention of conflicts of interest are defined in the Internal Rules of Fund Managers and Manager’s Business Conduct Regulation.
- 16.4.** To manage the assets of the Fund, the CEO or head of management board of the Manager shall appoint a fund manager whose duties include making investment decisions with regard to the investment of Fund assets and other activities related to the management of the Fund.
- 16.5.** The Manager shall perform duties specified in subsection 16.11., unless such duties have been transferred to third parties by contracts. The Manager shall invest Fund assets in compliance with the investment policy specified in the Rules and observing investment restrictions arising from the Rules and legislation. The Manager shall obtain sufficient information about the assets it plans to acquire or has acquired on account of the Fund, monitor the financial and economic situation of the issuer whose securities it plans to acquire or has acquired on account of the Fund and shall obtain sufficient information about the solvency of counterparties with whom fund transactions are made.

- 16.6.** The Manager shall manage the assets of the Fund separately from its own assets and from assets of other funds and pools of assets managed by the Manager. The assets of the Fund do not form part of the bankruptcy estate of the Manager and the claims of creditors of the Manager shall not be satisfied out of such assets.
- 16.7.** The Manager shall acquire and own at least 0.15% of total number of Fund units. The Manager may acquire or redeem units of the Fund on any Business day. In cases provided by legislation the Manager shall notify the CBA of acquisition or redemption of units. Information on the size of holding of the Manager in the Fund shall be made available according to section 20.
- 16.8.** The Manager has the right to submit a claim in its own name on behalf of Participants or the Fund against the Custodian or third parties (is obligated, if failure to submit such claim will result or may result in significant damage to the Fund or its Participants).
- 16.9.** The Manager shall be liable for damage caused to the Fund or Participants by violation of its duties.
- 16.10.** The Manager shall enter into a Custodial contract with the Custodian for the custody of Fund assets.
- 16.11.** The Manager may outsource the following duties to third parties:
- (a) investing Fund assets,
 - (b) organizing the issue and redemption of Fund units,
 - (c) organizing the sales and marketing of Fund units,
 - (d) providing necessary information to Participants and other customer related services,
 - (e) organizing accounting of the Fund,
 - (f) determining net asset value of the Fund,
 - (g) maintenance of a register of Fund units and providing documents that confirm Participant property rights,
 - (h) monitoring compliance of the activities of the Manager and the Fund with legislation, including establishing a relevant internal audit system,
- 16.12.** Transfer of duties to third parties does not exempt the Manager from liability related to the management of the Fund. Investment of Fund assets may be transferred to a third party by the Manager only in compliance with the maximum size of fund assets, the investment management function of which may be delegated to a third party defined by the CBA normative legal act, with the investment policy determined by the Manager and with any decisions of the Manager concerning the application of such policy.
- 16.13.** The Manager has the right to forward Participant data, including personal data, to any legal person belonging to the same consolidation group as the Manager exercises the right to ask

and receive information back from them with the purpose of identifying the Participant and improving the management of the relationship between the Participant and the Manager.

17. OPERATIONS OF THE CUSTODIAN

- 17.1.** The Custodian takes into custody and accounts for Fund assets and performs other duties entrusted to it by legislation.
- 17.2.** The Custodian has the right to enter into contracts with third parties for the custody of Fund assets, the performance of transactions therewith and the transfer of other duties of the Custodian, pursuant to the procedure prescribed in the Custodian contract. The Custodian shall choose a third party which takes custody of Fund assets with due diligence in order to ensure the reliability of third party especially in case of foreign Securities or when it is more efficient to receive services from third parties. Before the transfer of duties and thereafter, the Custodian is required to verify whether the level of organizational and technical administration of a third party and its financial situation are adequate to ensure the performance of obligations prescribed in the contract.
- 17.3.** When delegating the custody of Fund assets to third parties, the Custodian shall be liable for direct proprietary damage caused to the Fund or Participants, if the Custodian has not chosen the third party's custody of Fund assets with required due diligence or has failed to exercise supervision over third parties.

18. REGISTER OF UNITS

- 18.1.** The right of ownership of Fund units and the rights and obligations of Participants and the Manager arising from Fund units are formed by making a record in the Register (i.e. by registration of Participant's units in the pension account in the Register). By making a declaration of intention to make a transaction with units, the Participant allows processing of his or her information (including personal data) to the extent necessary for keeping a Register. The Participant has the right to rely on the records of the Register when exercising his or her rights and performing his or her obligations before third parties.
- 18.2.** Maintenance of the Register and Registrar liability are subject to LSM and the legislation issued on the basis thereof. Processing of Register information is carried out electronically.
- 18.3.** The Registrar shall make entries in the Register on the basis of transaction information related to Fund units. Entries may also be based on court judgments or other grounds approved by the Registrar.
- 18.4.** Information and documents submitted to Registrar for making a record, shall be preserved by the Registrar for at least ten years as of the corresponding entry. Information shall be preserved in the form of documents or in a format which can be reproduced in writing.

19. PAYMENTS AND EXPENSES MADE ON FUND ACCOUNT

- 19.1.** The exhaustive list of fees and costs to be paid on account of the Fund is mentioned in section 9.1.

- 19.2.** The rate of Management Fee is 1.8% per annum of the market value of Fund assets. The Management Fee shall be deducted from the market value of Fund assets on a daily basis and shall be paid on the 10th day of each month at the latest for services provided during the preceding month. The basis for calculating the Management Fee: actual number of days in the period divided by the actual number of days in the year (actual/actual).
- 19.3.** Part of Fund assets can be invested in securities issued by Investment funds, whose maximum management fee is 5%.
- 19.4.** The Custodian fee is set to 0.15% of the market value of Fund assets. Besides aforementioned fee, the Manager compensates the Custodian from Fund assets for fulfilling its (Manager's) orders, servicing depo account, as well as Custodial services agreed upon: making payment to third parties (depositories, financial agents, operators, exchanges), as well as additional services provided by the Custodian and services directly related to providing custodial services, the provision of which requires the consent of the Manager in advance. Custodian fee is deducted from market value of Fund assets on a daily basis and charged every quarter.
- 19.5.** The payments and expenses incurred by the Fund do not exceed 3% of Fund asset value on calendar year basis.

20. PUBLICATION OF INFORMATION

- 20.1.** At least the following information and documents shall be made available on the home page of Manager's website:
- (a) these Rules,
 - (b) rules of the Manager, the changes and additions made in them, as well as Manager's internal rules and procedures,
 - (c) the name and contact details of the Manager,
 - (d) names of individuals managing the fund on behalf of the Manager,
 - (e) information on the size of participation of the Manager in the Fund,
 - (f) Information on persons having significant participation in the Manager's statutory capital, Manager's management as well as authorities and responsibilities of the management.
 - (g) the name and contact details of the Custodian,
 - (h) information regarding the pension account,
- 20.2.** The following information should be listed on the page of each fund located on the website of the Manager, :

- (a) Fund's
 - (A) name and type,
 - (B) brief description of investment policy and portfolio structure,
 - (C) the calculation value of each unit class or stock, as well as issue and redemption prices and the corresponding month when it is presented,
- (b) Annual and interim reports of the fund, external audit opinion as well as annual reports for the previous three years. The annual report of the Fund shall be made available within 4 months after the end of the financial year of the Fund at the latest; and the quarterly reports shall be made available within 15 days from the end of the quarter at the latest. The financial year of the Fund is the financial year of the Manager. In addition, financial reports and independent audit opinion should also be published in a national newspaper with minimum circulation of 3000 copies.
- (c) The profitability of the fund for at least the preceding 5 years presented in graphic format, and if the fund has operated for less than 5 years, then fund profitability for the entire period of operation. In fact, it should be possible to assess the profitability of the open-end fund for any period of time.

20.3. The Manager has the right to mail or e-mail information about the Fund and reports to the Participants' mail or email addresses known to it.

20.4. The Manager shall inform about these rules as well as information published in the media according to legislation on its website, mentioning in detail, in which newspaper and number has been published the disclosed information.

20.5. The aforementioned information, as well as information defined in regulation 8/03 "Information publication by banks, credit organizations, insurance companies, insurance brokers, investment companies, central depository and payment and settlement organizations implementing money remittances" should be made available at the registered address and the website of the Manager.

21. PROCEDURES AND CONDITIONS FOR CHANGING FUND MANAGER AND CUSTODIAN

21.1. The change of the Manager is carried out in compliance with article 71 of IFL.

21.2. The Manager may transfer management of the Fund it manages to another manager on the basis of the contract for Fund management transfer and the prior consent issued by the CBA Board in accordance with IFL and CBA normative legal acts. The contract for the transfer of Fund management becomes effective on the date specified in the contract, but not earlier than the day when the preliminary consent is granted by CBA.

21.3. Before receiving the prior consent stipulated in section 21.2., the Manager takes actions to transfer the management of the Fund to another manager in compliance with the IFL.

21.4. The change of the Custodian is carried out in compliance with the IFL, article 90.

- 21.5.** After termination of the Custodian contract, the Custodian is obligated to transfer the pension fund assets and the relevant documents to the new custodian. In cases of terminating the Fund custody contract defined by IFL, the Custodian shall continue to perform its duties defined by RA laws, legal acts adopted thereon and these Rules, until a contract with the new custodian is signed and Fund assets are transferred thereto.
- 21.6.** The Manager is obligated to conclude a custody agreement with another custodian within 60 (sixty) days after receipt of the information from CBA about mandatory termination of activities of the Custodian..

MERGER OF THE FUND AND TERMINATION

- 22.1.** Merger of the Fund takes place based on the decision of the Board of the Manager.
- 22.2.** Merger of the Fund is carried out in accordance with the IFL and CBA normative legal acts by voiding the registration of Rules and by registering the amendments to the rules of the merged fund.
- 22.3.** Prior consent of CBA Board is required for merger of the Fund.
- 22.4.** Fund may merge only with another voluntary pension fund managed by the Manager.
- 22.5.** In case of merger, the Fund assets and liabilities are transferred to the new fund under a deed of transfer.
- 22.6.** All expenses related to accession, are covered by the Manager.
- 22.7.** The Manager may decide to terminate the Fund only if the Manager has not transferred management of the Fund to another manager. The Custodian may decide to terminate the Fund if management of the Fund has been transferred to the Custodian and the Custodian has not transferred management of the Fund to another manager. In the absence of the decision to terminate the fund, the CBA shall as solicited by the custodian or at its own discretion file a claim with the court for termination of the fund.
- 22.8.** To terminate the Fund, the Manager or the Custodian shall obtain a prior approval from CBA.
- 22.9.** Upon obtaining approval of CBA for termination of the Fund, the Manager or the Custodian shall without delay publish a notice regarding the termination of the Fund in at least one national newspaper with a minimum print of 3000 copies and on its own Website, specifying in the notice information required by law. From the day following publication of termination notice, the issue and redemption of Fund units shall be suspended.
- 22.10.** Upon termination of the Fund, the Manager or the Custodian shall transfer the assets of the Fund, collect the debts of the Fund and satisfy the claims of Fund creditors. Up to 2% of net asset value of the Fund, as of the day of adopting the termination decision, may be used to cover termination expenses of the Fund on the account of the Fund. If the actual termination expenses exceed this amount, the Manager or a person who operates as a manager shall be

liable for the expenses exceeding that amount.

- 22.11.** The Manager shall distribute the assets remaining upon termination among the Participants in proportion to the number of units owned by each Participant. Payments to the Participants may only be made in cash. The Participants may choose another voluntary pension fund and request the Custodian to purchase units of that fund on behalf of the Participant. The Custodian shall fully and in writing notify the Participants of the terminated Fund about their rights and consequences outlined in this section. In case of a failure to file a claim within 5 business days upon receiving the notification, the respective assets are transferred in the form of a lump-sum payment to Participants that have not made a selection.
- 22.12.** The Manager shall publish a notice concerning distribution of assets in at least one national newspaper with a minimum print of 3000 copies and on the homepage of its Website. Units shall be voided and the rights and obligations arising therefrom shall be terminated from the date on which payments are made. A Redemption fee is not charged upon termination of units.

22. AMENDMENTS TO THE RULES

- 23.1.** Amendments to these Rules are decided at the sole discretion of the Board of the Manager. Moreover, these amendments include but are not only limited to Fund investment restrictions or substantial changes related to fees.
- 23.2.** After amended Rules have been registered with CBA or submitted to CBA according to conditions and procedures provided by IFL, the relevant notice shall be published in at least one national newspaper with a circulation of at least 3000 and on the homepage of the Website. The notice on amendment of the Rules need not be published in a national newspaper if the Manager amends the Rules only due to changes in the legislation.
- 23.3.** Amendments shall enter into force one month after publication of the corresponding notice in a national newspaper unless the notice prescribes a later date for amendments to become effective. Amendments passed by the Manager that are caused by changes in the legislation or amendments which lead to reduction of the management fee rate as specified in the rules shall enter into force one month after publication of the corresponding notice in a national newspaper unless the notice prescribes a later date for amendments to become effective.
- 23.4.** Amended Rules shall be published at least on the homepage of the Website. The Manager has the right to send notices and reports about the Fund to the known mail or e-mail addresses of Participants.