

New edition registered

With the Central Bank of Armenia

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**NASDAQ OMX ARMENIA**  
**OPEN JOINT STOCK COMPANY**  
**REGULATION ON SURVEILLANCE**

## CHAPTER I. GENERAL PROVISIONS

### Article 1. Subject of the Regulation

1. This regulation defines the frames of surveillance of markets by NASDAQ OMX ARMENIA Open Joint-Stock Company, as an operator of regulated market, the list of entities eligible for surveillance and the procedure and conditions of means of responsibility application in the frames of surveillance
2. NASDAQ OMX ARMENIA Open Joint-Stock Company implements surveillance to detect and/or prevent violations of legal acts regulating the markets organized by it.

### Article 2. Basic concepts used in the Regulation

3. The concepts used in this Regulation shall have the following meanings:
  - 1) **Law** - «Law on the Securities Market» of the Republic of Armenia;
  - 2) **Operator** - NASDAQ OMX ARMENIA Open Joint-Stock Company;
  - 3) **Market** - a market organized by the Operator for the purpose of organizing a public trading of any financial instrument as prescribed by the rules of the Operator;
  - 4) **Market participant** - a person with a status of a legal entity having a valid contract with the operator on participation in the Market trading;
  - 5) **Issuer** - the issuer, whose securities of any class are listed (admitted to trading) in the Market;
  - 6) **Surveillance** - the process of implementation of complex measures related to surveillance functions, resulting in a possibility to control activities of Entities subject to surveillance in the market, in accordance with the rules and limits defined by the Operator;
  - 7) **Entity subject to surveillance** - Market participant and Issuer;
  - 8) **Disciplinary violation** - an act or omission performed by the entity and subject to accountability according to the Operator's rules, which is against the legislation, normative acts defined by it and rules defined by the Operator;
  - 9) **Supervisory Board** - Supervisory Board of the Operator;
  - 10) **Director** - Operator's chief executive officer;
  - 11) **Disciplinary Committee** - a body acting within and on behalf of the Operator, which carries out investigations of cases of disciplinary violations and cases of complaints related to surveillance actions performed by the Operator, as well as applies disciplinary sanctions within its jurisdiction;
  - 12) **Surveillance service** - A structural unit of the Operator, which, on behalf of the Operator and within its jurisdiction, supervises the market and Entities subject to surveillance;

- 13) **Reporting surveillance** - Surveillance performed in accordance with the means, forms and dates defined in the rules of the Operator, through investigation of reports, references, explanatory notes and other documents provided by Entities subject to surveillance regarding their activities in the market;
- 14) **Monitoring** - Ongoing surveillance on fulfillment of the requirements defined for the market, by the Entities subject to surveillance during realizing their functions in the market;
- 15) **Audit** - Surveillance realized on the location of the Market participant or issuer through examination of documents and circumstances justifying the fulfillment by the entity of requirements defined for the market;
- 16) **Audit group** - A group established by the Operator for carrying out the audit;
- 17) **Disciplinary case** - a case filed by the Disciplinary Committee based on a suit submitted according to the rules defined in this regulation;
- 18) **Disciplinary sanction** - Sanction defined by the Operator for a disciplinary violation;
- 19) **Disciplinary proceedings** - A process realized according to the rules defined in this regulation, which includes the protocol of the disciplinary violation, submission of a case for applying a disciplinary sanction and a decision on applying or refusing to apply a preventive and/or disciplinary sanction;
- 20) **Applicant** - A controlling service of the Operator, Issuer or Market participant, that has submitted a claim to the Disciplinary Committee according to the rules defined in this regulation;
- 21) **Respondent** - The person against whom a claim is submitted to the Disciplinary Committee;
- 22) **Witness** - Any person who possesses information or circumstances necessary for the proper solution of the Disciplinary case and who was involved in the Disciplinary case review process by the Disciplinary Committee.
4. Other definitions used in this regulation shall have the meanings as defined by the Law and the Rules of the Operator.

## CHAPTER II. FUNCTIONS OF THE OPERATOR'S SURVEILLANCE

### Article 3. The framework of the Operator's market surveillance

5. Within its jurisdiction, the Operator controls the following entities:
- 1) corporate securities market participants;
  - 2) government securities market participants;
  - 3) foreign exchange market participants;

4) credit resources market participants;

5) issuers of securities listed (admitted to trading) in the market of corporate securities.

6. The Operator controls the following fields:

1) pricing mechanisms of securities in the corporate securities market;

2) adherence to rules of conduct by persons providing investment services towards investors in the securities circulating in the corporate securities market;

3) timely, full and flawless disclosure of information to be disclosed by issuers of securities circulating in the corporate securities market in order defined by the Rules of the Operator;

4) realization of pricing of government bonds by government bond agents by submitting a report to the issuer regarding frauds detected through the system software;

5) realization of transactions in the foreign exchange market and notifying the Central Bank about possible illegal transactions;

6) realization of transactions with credit resources;

7) compliance to other requirements for the regular functioning of the market (including obligations towards the Operator, the Operator 's instructions and decisions)

7. In the field of market surveillance the Operator performs the following functions:

1) monitoring;

2) Reporting surveillance;

3) audit;

4) application of preventive measures;

5) implementation of disciplinary proceedings;

6) application of disciplinary sanctions;

7) investigation of appeals of decisions made by the competent authorities of the Operator in the field of surveillance.

#### **Article 4. Bodies implementing surveillance on behalf of the Operator**

8. The functions of market surveillance the Operator shall realize through its Supervisory Board, Director, Disciplinary Committee, Surveillance Service, and, in case of audit, through the audit group, whose activities are regulated by this Rules and other legal acts of the Operator.

9. The Surveillance Service is the main body implementing the monitoring of compliance of the decisions of the Supervisory Board, the Director or the Disciplinary Committee regarding the surveillance functions of the Operator; Market monitoring; as well as the Reporting surveillance.

The Supervisory Board, the Director or the Disciplinary Committee can implement monitoring or Reporting surveillance for proper realization of their surveillance jurisdiction.

10. Audits on behalf of the Operator shall be carried out by the audit group formed by the Director's order, and consisting of at least two members, which, as a rule, is headed by the head of the Surveillance Service. If the audit group is not headed by the head of the Surveillance Service, then the audit results are submitted to the head of the Surveillance Service.

11. The body in the structure of the Operator instigating disciplinary proceedings shall be the Surveillance Service. Other bodies or entities realizing surveillance functions on behalf or in the structure of the Operator can instigate disciplinary proceedings only through the Surveillance Service by presenting necessary justifications, if not otherwise defined in this Rules.

5. The main body applying disciplinary sanctions of the Operator shall be the Disciplinary Committee.

12. The decision of termination of the market maker status, Market participant status or trade suspension of the securities (delisting) as a disciplinary sanction shall be made by the Supervisory Board through mediation of the Disciplinary Committee. In case of denial of the petition for termination by the Supervisory Board the Disciplinary Committee, within its jurisdiction, shall apply towards the Entity subject to surveillance the maximum possible sanctions defined for the given violation.

In certain cases defined in the legal acts of the Operator, if there shall be need for quick and efficient regulation of the market, before the Disciplinary Committee's decision or without it, some disciplinary sanctions for the violation by a Market participant or Issuer (particularly suspensions of preventive nature in the corporate securities market or clearly defined monetary penalties and fines in accordance with the legal acts of the Operator or agreements concluded with the Operator) can be applied through a simplified procedure, by the Director's decision and without instigation of a Disciplinary case.

13. Disciplinary Committee's or the Director's decisions and/or actions regarding surveillance functions may be appealed to the Disciplinary Committee, within 10 days from the date of receipt of the decision. The Disciplinary Committee may cancel or modify its or the Director's decisions regarding the Operator's surveillance functions.

#### **Article 5. The Operator's rights and obligations regarding surveillance functions**

14. The Operator shall execute surveillance over the Entities subject to surveillance in order and limits defined by law, other normative legal acts and the Rules of the Operator.

15. Bodies, executing surveillance functions on behalf of the Operator, shall confirm (record) the fact of violation by the Entity subject to surveillance on the day (except for the violations detected in the result of audit), when those bodies have a reasonable belief that the controlled person's actions (or inaction)

have led to a violation of requirements defined for the Market. The violations detected in the result of audit shall be recorded after the completion of the auditing process.

16. For proper performance of surveillance obligations, the Operator has the right:

1) For the purpose of realizing Reporting surveillance, to require from the Entities subject to surveillance to provide to the Operator with explanations, information and documents related to their activities in the Market (including those related to the internal (insider) information utilization), with defining deadlines;

2) to check the documents related to the right of the Issuers and Market participants to participate in the Market, and to demand from them information necessary for realizing surveillance;

3) to issue indications for mandatory performance by the Entities subject to surveillance, which shall be directed towards elimination (correction) of violations of the requirements defined for the Market and the Operator's decisions, detected by them, or shall be directed towards prevention of violations of requirements defined for the Market;

4) to apply penalties against Issuers and market participants in order and size defined in the Operator's Rules;

5) to copy or otherwise duplicate documents and information received from Entities subject to surveillance;

17. The Surveillance service can refrain from applying disciplinary proceedings against the Entities subject to surveillance, if:

1) the violation is a result of such force majeure (circumstances) (including, for instance, breakdown of the technical systems necessary for operations in the Market), which the Market participant could not eliminate by taking necessary and sufficient measures, or;

2) the violation is not of continuous or periodic nature, the entity, who has done the violation, brings conclusive evidence that the violation was not a result of a deliberate action, and in the given situation there are no sufficient grounds to state other entities operating in the Market, or the Operator have suffered damage, or;

3) the violation done by Entities subject to surveillance is not directly related to the functions executed in the Operator's Market, it is already known or could be known to the RA Central Bank in the result of fulfillment of obligations by the entities who did the violation of obligations, defined by legal acts regulating the securities Market, and, in the given situation the violation will not result in application of any processes of suspension or termination, defined in the Operator's Rules, or;

4) the period of time, during which the Operator or the persons implementing surveillance have detected the violation by the Entities subject to surveillance or have been informed of it, is more than eighteen months, counted from the violation date, or;

5) disciplinary proceedings have been initiated or punishment has already been applied by the RA Central Bank for the given violation, done by Entities subject to surveillance.

18. The Disciplinary Committee, after examining the circumstances of the violation, may apply for the given violation a more lenient penalty from those defined in its legal acts.

19. For the prevention of possible violations by the Entities subject to surveillance, the Director, and, in the result of disciplinary proceedings, also the Surveillance Committee, have the right to issue indications for mandatory performance by the given Entities subject to surveillance, which shall be directed towards the prevention of possible violations by the later, and (or) can temporarily limit the circulation of certain securities or the activities of the Entity subject to surveillance in the Market.

20. During examination of circumstances and facts of violation done by the Entity subject to surveillance, members of the bodies, implementing surveillance functions on behalf of the Operator, or the employees, are entitled to receive information by any means designated for its exchange or transfer.

21. Members of the bodies, implementing surveillance functions on behalf of the Operator, or the employees, shall be required to act in good faith and without bias while performing their official duties. In case of a personal interest in any matter, the person shall notify the other parties involved in the Operator's surveillance regarding the given issue, indicating the fact and the nature of his personal interest, and shall abstain from any activity generating conflict of interest.

22. Members of the bodies, implementing surveillance functions on behalf of the Operator, or the employees, shall not disclose or otherwise disseminate or use for their personal interests the information, obtained during fulfilling their official duties, which contain service, commercial or other confidential information, defined in the RA legislation or the internal legal acts of the Operator.

#### **Article 6. Monitoring and Reporting surveillance**

23. The provisions of this article shall be applicable also to the Reporting surveillance, unless otherwise specified in this regulation.

24. Monitoring in the Market shall be carried out by the Surveillance Service, according to rights and obligations defined in this Regulation.

25. During monitoring implementing in the Market, the Surveillance Service is entitled to get familiar with any document and information related to the Market and provided to the Operator.

26. In case of suspicion of a violation done by the Entity subject to surveillance, the Surveillance service shall examine all the known facts and circumstances and, if necessary, shall also initiate Reporting monitoring.

27. The Surveillance service, after confirming the fact of violation by the Entity subject to surveillance, during 2 (two) business days, according to the provisions of point 17 of this Regulation shall:

1) initiate disciplinary proceedings, by referring to the Disciplinary Committee and/or the Director (if, in this case, the use of sanction is possible in a simplified procedure) with a mediation for applying a disciplinary penalty in relation with the fact of the violation, and shall notify the RA Central Bank about the violation, or;

2) shall notify the Disciplinary Committee, the Director and the RA Central Bank about the violation, presenting the justification for the application of provisions defined under point 17 of this Regulation.

28. The Disciplinary Committee, on behalf of the head, and/or the Director are eligible for a partial or complete disagreement with the position of the Surveillance Service, formed according to the sub point 2) of point 27 of this Regulation. In such cases, the Disciplinary Commission, on its own initiative or presented by the head of it, and, in case of a simplified procedure of use of sanction – the Director, shall submit to the Surveillance Service a written instruction regarding instigating disciplinary proceedings on the given case, justifying the need for disciplinary proceedings.

29. When instigating proceedings based on the violation done by the Entity subject to surveillance, the Surveillance Service shall make a protocol regarding the violation.

30. In case of a violation by the Entity subject to surveillance, or in case of sufficient preconditions for it, for the purpose of eliminating the violation or its consequences, or, for preventing possible violations, the Surveillance service may appeal to the Director to encourage the Entity subject to surveillance to take certain actions or refrain from certain actions.

#### **Article 7. Audit**

31. Audit by the Operator can only be carried out with the purpose of checking the compliance of the market regulatory norms, and in exceptional cases, when monitoring or Reporting monitoring is not enough in the given situation.

32. The Director's order shall be a basis for an audit of a Market participant or an Issuer, in which the following shall be specified:

1) the name and the location of the audited person or department;

2) the purpose of the audit;

3) the composition of the group implementing the audit;

4) audit implementation period, indicating the beginning and the end dates of the audit.

33. Persons not included in the audit group cannot participate in the audit. The replacement of a person, included in the audit group with another one, for the reason of inability to perform his official duties, can be carried out only by a corresponding amendment in the order serving as a basis for the audit.

34. Maximum 3 (three) days prior to the start of the audit, the head of the audit group shall provide two copies of the corresponding order to the head of the audited entity or the person replacing him, who

shall sign on one of the copies, confirming his awareness of the planned audit. The signed copy shall be returned to the audit group.

35. The audit group has no right to be beyond the scope of purposes defined in the decision on implementing audit.

36. During audit, if necessary, the purposes of audit can be changed, only by the order of the Director, based on the written justification of the audit group. In case of change of the purpose, the audit group must notify the head of the audited entity or the person replacing him, presenting him the corresponding decision.

37. Audit period can be set not more than fifteen (15) working days, moreover, the first day of the audit shall be considered the actual starting date of the implementation of the audit. The audit period shall not exceed the dates specified in the order.

38. If necessary, based on the written justification of the audit group, and by the decision of the Director, the audit period may be extended for not more than fifteen (15) working days. The head of the audited entity or the person replacing him shall be notified about it.

39. During audit, in case of necessity of verification of any data, or existence of any circumstances making the audit implementation impossible, by the order of the Director the audit shall be suspended, until the elimination of the reasons for suspension. The actual period of audit duration shall not exceed 30 (thirty) working days.

40. As a result of audit, the violations done by the audited entity shall be registered in a protocol in two copies. If no violations of the requirements defined for the Market are detected by the audit group, then a reference shall be formed in the result of the audit.

41. In the case when the head of the Surveillance Service (the person replacing him) is not the head of the audit group, but by the end of the inspection carries out his duties, the audit group shall discuss the results of the audit with the head of the Surveillance Service (the person replacing him) before making a protocol.

42. In the audit reference the following must be specified:

- 1) the date and place of creating the reference;
- 2) the names of the members of the audit group and the audited person;
- 3) the purpose of the audit, the dates and results;
- 4) other data, considered important by the audit group.

43. The following must be specified in the audit protocol:

- 1) the date and place of creating the protocol:

- 2) the names of the members of the audit group and the audited person;
- 3) the purpose and the dates of the audit,
- 4) documents, inspected during the audit;
- 5) the results of the audit, mentioning the detected violations, those provisions of the legal acts regulating the Market, that had not been maintained (poorly maintained), reasons for the violations (if any), dates of the violations, ( in the case of continuous violations – the start date of the violations);
- 6) about the status of the violations, particularly if they have been eliminated, stating the date of elimination, or actions taken in order to eliminate them (if any).
- 7) other data, considered important by the audit group.

44. The audit protocol or the reference shall be signed by the members of the audit group and the head of the audited entity or the person replacing him. If, for any valid reason, during audit, the participation in the audit was not possible for one of the members of the audit group and he was replaced, or it was not possible to replace him, and the audit was carried out without his participation, then the audit protocol or the reference shall be signed by those members of the audit group who have created the protocol and the reference.

45. After completing the audit, during five (5) working days, the audit group shall submit two copies of the reference or the protocol to the head of the audited entity or the person replacing him. After receiving the reference or the protocol, during five (5) working days, the head of the audited entity or the person replacing him shall return to the audit group the signed copy of the reference or the protocol, or the unsigned copy of the protocol (reference), indicating the reason for not signing. The non submission of a signed copy of the protocol (reference) to the audit group within the specified deadline shall be considered as a refusal to sign.

46. In case of disagreements during the signing of the protocol (reference), the opinions of the parties shall be recorded in the protocol (reference). In case of refusal to sign, a corresponding record about it shall be made in the protocol (reference).

47. During 2 (two) working days after the expiration of the deadline set for signing the audit protocol (reference), the head of the audit group shall submit at least one copy of the reference or protocol to the head of the Surveillance Service (the person replacing him), if the latter is not the head of the audit group.

48. During 5 (five) working days after the expiration of the deadline set for signing the audit protocol, the head of the Surveillance Service (the person replacing him), or the head of the audit group - in case of the absence of the head of the Surveillance Service (the person replacing him), depending on the nature of the violations, shall apply one or a combination of the procedures defined in sub points 1) and 2) of point 27 of this Regulation, submitting a copy of the protocol (reference) to the Disciplinary Committee and the Director.

49. Provisions of points 28 and 30 of this Regulation shall be applicable for the results of the audit.

#### **Article 8. Audit group**

50. For the purpose of implementing audit, by the decision (order) of the Director, an audit group shall be formed, which shall comprise of at least two members, including the head of the audit group.

51. If for any valid reason, during audit, the participation in the audit was not possible for one of the members of the audit group, and it was not possible to replace him, due to which the quantity of the members of the audit group becomes less than two, then, for the efficiency of the audit and the expediency of continuing it, the Director can make a decision to:

- 1) continue the audit with one person;
- 2) suspend the implementation of the audit until the group is replenished, but for maximum of 15 working days, or;
- 3) terminate the audit.

In case of a decision to terminate the audit, as of the date of entry into force of the decision, a reference on audit activities shall be made.

52) As a rule, the head of the audit group shall be the head of the Surveillance Service (the person replacing him). In specific cases, by the order of the Director, another employee of the Operator may be appointed as the head of the audit group.

53. During implementing the audit, the head of the audit group shall lead the audit process, particularly, shall distribute the planned audit works among the members of the audit group, shall define the work procedure, shall monitor the process of the implementation of tasks, shall give orders regarding formulation of the material, shall re-allocate responsibilities, shall come up with recommendations regarding prolongation of the audit period, change of the purpose of the audit and suspension of the audit.

54. During audit implementation, the audit group has the right to:

- 1) have free access to the corresponding area accompanied by a representative of the audited person;
- 2) request documents, data and other information, explanations and references that are directly related to the purpose of the audit carried out under their jurisdiction;
- 3) take copies of documents that are directly related to the purpose of the audit. In case of temporarily obtaining documents, that are directly related to the audit, a protocol shall be made, indicating the date of the return, and one (1) copy of it shall be submitted to the head of the audited entity or the person replacing him. The head of the audit group shall bear the responsibility for the preservation of the qualitative and quantitative completeness of the temporarily obtained documents and for their timely return.

4) within its jurisdiction, apply other requirements to the management or the staff of the audited entity, if they arise from the need and purpose of the audit.

55) While exercising its powers, the audit group must:

1) observe the requirements of the Operator's Rules;

2) protect the rights of the audited person;

3) not interfere with the normal working process of the audited person;

4) inform the officials of the audited entity about their rights and responsibilities;

5) during the audit, give written response to any written query by the head of the audited entity or he person replacing him, related to the audit.

#### **Article 9. The rights and obligations of audited persons**

56. Audited persons have the right to:

1) prohibit the audit (provision of documents to the audit group), if the persons, implementing audit, have violated one of the provisions of this Regulation or any other Rules of the Operator, on the same day notifying in a written form the Operator and the Central Bank;

2) become familiar with the audit protocol or reference;

3) provide explanations and clarifications, appeal the activities of the audit group;

4) for the purpose of protecting their interests, include in the audit process specialists, experts, auditors, lawyers in any stage of the audit,.

57. The audited person must:

1) not make obstacles for the audit process, fulfill the audit group members' legal requirements;

2) submit the required documents, data and other information;

3) create the necessary conditions for the activities of the audit group.

#### **Article 10. Application by the Operator of disciplinary sanctions related to surveillance functions and the order of their appeal.**

58. Non-compliance by the Market participant or the Issuer of the requirements set by the Operator's Rules or the contract concluded with the Operator, failure to pay the penalties defined by the Operator, making obstacles for the realization of the Operator's surveillance functions, (failure to provide documents or information requested by the Operator, making obstacles for the audit process implemented by the Operator), shall be a base for the Operator for application of disciplinary sanctions (including additional or more strict).

59. The function of application of disciplinary sanctions by the Operator shall be regulated by this Regulation and other Rules of the Operator.

60. Making the same violation within one month from the date of appointment of a disciplinary sanction in a simplified procedure, failure to eliminate basis for suspension, or failure to fulfill the given instruction (order), as well as making 5 (five) such violations by the Market participant or the Issuer, for which disciplinary sanctions can be applied (have been applied) in a simplified procedure, shall be a base for the termination of the membership (or participation in the Market), as defined in the Operator's Rules, for the Market participant, and for termination of the permission (delisting) for securities trading for Issuers.

61. The case of a disciplinary violation made by a Market participant or an Issuer, for which application of a simplified procedure is possible, by the initiative of the Operator, may become the subject of investigation by the Disciplinary Committee only in the case, if, in the given situation, the violation made can already lead to application towards the infringer of more strict disciplinary sanctions provided by the Operator's Rules.

62. In case of two or more disciplinary violations made, the disciplinary sanction shall be assigned for each disciplinary violation separately, except when:

1) the same unintentional act (behavior) has led to several types of violations of the Operator's Rules, in which case the disciplinary sanction shall be applied only for the particular disciplinary violation, for which the maximum possible penalty is provided;

2) the same act (behavior) has continuously or periodically led to the same violation of the Operator's Rules, in which case the maximum possible penalty provided shall be applied;

3) the same action (behavior), repeated continuously or periodically, has resulted in a violation of several Rules of the Operator, in which case the disciplinary sanctions provided in sub points 1) and 2) of this paragraph shall be applied.

63. In case of a violation, made by a person, acting in the structure or on behalf of the Market participant or the Issuer, respectively, the Market participant or the Issuer shall bear the responsibility.

64. The Disciplinary Committee may review its decision based on such newly emerged valid circumstances, in case of availability of which the decision of the Disciplinary Committee could be different.

65. The Disciplinary Committee may reject the claim to review actions or decisions related to surveillance functions, if the Disciplinary Committee believes that the given appeal is not justified, or a similar claim or complaint has been previously investigated, and the Disciplinary Committee has a negative position for similar cases, or, if the person, who has filed the claim (complaint):

1) is not a concerned person for the given case;

2) has not presented sufficient evidence;

3) could have and should have presented the additional evidence during the course of examination of the case underlying the claim.

66. Decisions made by the competent authorities of the Operator related to surveillance functions shall come into force upon receipt of them by the Entities subject to surveillance, unless otherwise is specified. The decisions shall be delivered to the Entities subject to surveillance by any means certifying the receipt.

67. The actions of the Operator related to surveillance functions (including refusal of complaints/claims) may be appealed to the RA Central Bank and other competent bodies.

### **CHAPTER III. THE SURVEILLANCE SERVICE**

#### **Article 11. Authorities of the Surveillance Service**

68. For the implementation of its tasks, the Surveillance Service shall collaborate with other bodies and employees of the Operator, the Central Bank, Market participants, Issuers and other people related to the functions implemented in the Market.

69. The Surveillance Service shall be entitled to:

1) implement surveillance of the fulfillment by the Entities subject to surveillance of the requirements defined for the Market through monitoring, reporting control and audit;

2) for the purpose of verifying the implementation by the Entities subject to surveillance of the requirements defined for the Market, require from them submission of necessary documents, explanations and/or information, in a period of time specified by the Surveillance Service.

3) instigate disciplinary proceedings against the Entities subject to surveillance, or, taking into account the provisions of point 17) of this Regulation, refrain from disciplinary proceedings.

#### **Article 12. The structure of the Surveillance Service and the requirements to the staff**

70. The Surveillance Service shall comprise of the head of the Surveillance Service and other employees, which shall be appointed by the Director.

71. A Supervisory Service employee may be capable individual who:

1) has the appropriate professional qualifications, as defined by Law;

2) is not a shareholder (participant), board member (including the chairman), director or executive officer of a Market participant or Issuer, or related entities;

3) is not an employee of a state or local authority of the Republic of Armenia;

4) has not been recognized disabled or of limited capacity by the law.

5) has not been deprived, by a verdict, of a right to hold a position in financial, economic and legal spheres, in the case, if it is explicitly stated in the verdict.

6) was not declared insolvent and has no outstanding liabilities;

72. The head of the Surveillance Service:

1) shall represent the Surveillance Service and express its position;

2) shall coordinate and manage the work of the Surveillance Service;

3) shall have the rights and obligations defined in this and Operator's other internal legal acts.

73. In case of the absence of the head of the Surveillance Service or incapacity of the latter to fulfill his official duties, he shall be replaced by a person appointed by the Director, and in case if such is not appointed, the senior by age of the Surveillance Service employees.

#### **CHAPTER IV. THE DISCIPLINARY COMMITTEE**

##### **Article 13. Tasks and functions of the Disciplinary Committee**

74. The tasks of the Disciplinary Committee (also the Committee in this paragraph), shall be to clarify in due time, comprehensively, completely, and objectively the circumstances of each disciplinary case, to examine complaints related to the decisions, actions or inactions of the authorized bodies of the Operator in the Surveillance sphere, to give solutions to disciplinary cases in accordance with the Operator's Rules, as well as to disclose the reasons and circumstances that caused disciplinary violations.

75. For the purpose of implementation the tasks provided by this Regulation, the Committee, within its jurisdiction, shall make decisions on applying appropriate disciplinary sanctions with respect to the Market participant or Issuer who has made a violation.

76. Within 5 working days after the decision on application of a disciplinary sanction takes effect, the Operator must place on the Operator's website information on the fact and the time of the application of the disciplinary sanction, the nature of the violation, and the identity of the person, who has made the violation; if the penalty was appealed to the Committee, the RA Central Bank or the court, then, within 5 working days after the Committee's decision, the RA Central Bank's decision or the verdict of the court takes effect, shall also place information on the Committee's decision, the RA Central Bank's decision or the verdict of the court.

##### **Article 14. The authorities of the Committee**

77. The Committee is entitled to:

1) organize and hold sessions;

- 2) make decisions on the application of a disciplinary sanction with respect to a Market participant or Issuer, submission of mediations, provided by this Regulation, to the Supervisory Board, or dismissal of a disciplinary case;
- 3) by its own decision, issue an instruction for a Market participant or Issuer, who made the violation, for the purpose of eliminating the violation;
- 4) in case of availability of basis provided by the Rules of the Operator, present a proposal to the Operator's Surveillance Service for suspension of the trading permission of a Market participant or the permission of trading with securities of an Issuer, or for instigating proceedings with another basis;
- 5) if necessary, suspend the time period of the examination of the case, but for not more than 60 days;
- 6) perform other functions defined by the Rules of the Operator.

**Article 15. The structure of the Committee and the basis for termination of the Committee members' authorities**

78. The Committee shall be established in order defined in this Regulation and shall comprise of three members.

79. The head of the Committee and the members of the Committee shall be elected by the Supervisory Board by secret ballot for a three-year term.

80. The Supervisory Board, as a member of the Committee, shall elect a person who shall be included in the list of candidates for a member, presented by the Director.

81. The Director shall present the proposal regarding the candidate for a member of the Committee to the Supervisory Board in a written form, attaching to it a copy of the document verifying the information defined in sub point 1) of point 82 of this paragraph, and the written consent defined in sub point 4).

82. The candidate for a member of the Committee must be a capable individual who:

- 1) has the appropriate professional qualifications, as defined by Law (only for candidates for the head of the Disciplinary Committee);
- 2) is not the head or a member of the Supervisory Board of a Market participant or Issuer;
- 3) is not a state official of the Republic of Armenia;
- 4) has submitted a written consent for working in the position of a member of the Committee.

83. The candidate for a member of a Committee, who received the majority of votes of the members of the Supervisory Board, shall be elected a member of the Committee. In case of receiving equal number of votes by the candidates for a member of the Committee, the second phase of elections shall be held, and those candidates, who received equal votes, shall be included in the voting list. In case of equal votes in the second phase, the vote of the head of the Supervisory Board shall be decisive.

84. The head of the Committee shall be elected by the Supervisory Board out of the elected members of the Committee.

85. The authorities of the head or a member of the Committee can be terminated early by the Supervisory Board, if:

- 1) the head or a member of the Committee has submitted an application for termination of his authorities;
- 2) the head of the Committee was deprived of his professional qualifications, provided by the Law;
- 3) because of loss of working capacity, the head or a member of the Committee cannot carry out his functions defined in this Regulation;
- 4) the head or a member of the Committee had two or more unexcused absences from the Committee's sessions.

86. In case of early termination of authorities of the head or a member of the Committee, the Supervisory Board shall elect a new head or member of the Committee in a one-month period.

#### **Article 16. The head of the Committee**

87. The head of the Committee shall manage and organize the works of the Committee, shall convene and preside over the sessions, as defined in this Regulation. The head of the Committee shall:

- 1) Coordinate and ensure the normal working process of the Committee;
- 2) preside over the sessions of the Committee; sign the decisions of the Committee;
- 3) present the Committee in other bodies, if necessary, in court as well.
- 4) organize the preparation of necessary materials for convening the Committee's session and for making decisions, as well as the fulfillment of the decisions made by the Committee.
- 5) perform other works within the Committee's jurisdiction.

88. In case of the absence of the head of the Committee, or incapacity of performing his official duties, he shall be replaced by the oldest member of the Committee, if this obligation is not put on another member by the decision of the Committee.

#### **Article 17. The Committee member**

89. During performing his official duties, the Committee member shall be unbiased, impartial and objective, he shall be independent in the investigation of disciplinary cases during the Committee sessions, and in making decisions on applying disciplinary sanctions.

90. The Committee member shall be required to participate in the Committee sessions with his voting right and shall vote for or against during making of decisions on a disciplinary case by the Disciplinary

Committee. The Committee member has no right to abstain from voting. In case of voting against the decision made by the Committee, the Committee member shall state a particular opinion, which shall be attached to the decision made on the disciplinary case.

91. Committee members, while examining disciplinary cases during Committee sessions, have equal rights, and shall be guided only by the RA legislation and the Operator's Rules when voting for or against any decision.

92. While examining a disciplinary case during a Committee session, in case of having a personal interest towards the plaintiff or the defendant, the Committee member shall inform the other members of the Committee of the fact and nature of his interest, after which he shall refuse to participate in the given session.

93. In the case if a Committee member's personal interest becomes known from third parties, then, in case of confirmation of such an interest, if the member does not refuse to participate in the session, the Committee shall, at its own initiative, terminate the member's participation in the session.

94. In case of existence of the fact, specified in points 92. and 93. of this Chapter, it shall be recorded in the Disciplinary Committee's decision, and the decision on the given disciplinary case shall be made by the Committee by simple majority of votes of those Committee members, who had participated in the examination of the disciplinary case and had no personal interest.

95. A Committee member shall not publish or otherwise distribute, as well as use for personal interests, any information, which has become available to him during performing his official duties, containing official, commercial or other secret, as defined by the RA legislation.

#### **Article 18. The Executive secretary of the Committee**

96. The Committee shall have an executive secretary.

97. The executive secretary of the Committee shall have higher legal education. The executive secretary, related to the activities of the Committee, shall be appointed or dismissed, promoted or exposed to penalties by the Director, based on the mediation presented by the Committee.

98. The executive secretary of the Committee shall be responsible for organizational activities related to the work of the Committee. The executive secretary of the Committee shall:

- 1) in case of availability of grounds defined in this Regulation, present a proposal to the Head of the Committee regarding convening of a session;
- 2) carry out the preparatory works for organizing the Committee's sessions as per the instruction of the Head of the Committee;
- 3) participate in the sessions of the Committee with a right for an advisory vote, as well as prepare and sign the protocol of the Committee's sessions;

4) record and maintain the decisions adopted by the Committee, keep track of the Committee's documentation;

5) keep the records of the Committee in accordance with the Rules of the Operator;

6) as per the instruction of the Head of the Committee, present the Committee in state and non-state bodies, including the courts;

7) perform other activities defined in the Operator's Rules and related to the work of the Committee.

99. The requirement to the member of the Committee, defined in point 95) of this Regulation, shall also apply to the executive secretary of the Committee.

#### **Article 19. The annual expenses of the Committee**

100. The Supervisory Board on an annual basis shall prepare the cost estimate for the next year's activities of the Committee, which shall be included with a separate line in the operator's annual budget, and which, according to the Operator's Rules, shall be presented for the approval of the Supervisory Board.

101. The cost estimate of the Committee shall ensure the proper implementation by the Committee of the objectives and functions defined in this Regulation.

#### **Article 20. Committee sessions and the order of their convening**

102. The Commission shall organize its work through sessions. The Committee sessions shall be convened by the Head of the Committee, as necessary, as well as based on the claim of the Plaintiff, presented in accordance with point 103 of this Regulation.

103. The Plaintiff's claim shall be submitted by him to the Head of the Committee in a written form, stating the name of the Defendant, the nature of the violation, the planned sanctions (if the claim is submitted by the Surveillance Service), and corresponding documents proving the availability of the violence, or their copies. The application defined in this Point and supporting documents shall be presented to the executive secretary of the Committee in a soft copy as well – via e-mail or electronic carrier.

104. Upon receipt of the written application and supporting documents defined in point 103 of this Regulation, the Head of the Committee shall immediately assign the Committee's executive secretary to implement preparatory works for convening Committee session, stating the venue, the date (day/month/year) and the time, as well as the agenda of the Committee session. The Head of the Committee shall have the right to return the written application as well as the documents attached to it, if they do not meet the requirements defined in point 103 of this Regulation, and to demand from the Plaintiff to submit an application in accordance with the requirements.

105. In case of a claim, the Committee session shall be convened within 15 business days after receipt of the written application submitted by the Plaintiff, in a manner defined in this Regulation.

106. In case of receiving an instruction defined in point 104 of this Regulation, the executive secretary of the Committee must, before convening the session, 3 business days prior to the Session, notify the Plaintiff, the Defendant and all the members of the Committee.

107. The notice by the executive secretary about the Committee's meeting shall be sent signed by the Head of the Committee or the executive secretary, in a written form or by electronic mail and must contain:

1) information on the venue, the date (day/month/year) and the time, as well as on the agenda of the session, and, in case of an expedited examination of the Disciplinary case, a statement on the fact that the Committee intends to conduct an expedited examination of the Disciplinary case;

2) The Disciplinary case, on which the person, defined in point 106 of this Regulation is being notified;

3) a statement on a person who is being notified;

4) an indication on the status in which the person is being notified or invited;

5) a statement on the consequences of failure to appear (except for expedited examination of the Disciplinary case).

108. Copies of the application, received by the Committee, and supporting documents shall be attached to the notices sent to persons defined in point 106 of this Regulation.

109. The Committee sessions shall be open to the public. If during the Committee session arises a necessity to disclose official, commercial, or other confidential information in the manner prescribed by the RA legislation, then the Committee must hold a closed session. The Plaintiff, the Respondent and/or, by the decision of the Committee, other persons related to the case examined during the session, can participate in the closed session, if the person to whom the official, commercial or other confidential information is related, has given a written permission.

110. Failure to appear to the session by the Plaintiff or the Defendant, who had been notified by the Committee in the manner defined in this Regulation, shall not be an obstacle for holding the session.

#### **Article 21. The quorum of the Committee**

111. The Committee shall be competent (shall have a quorum), if it is attended by at least two members of the Committee, including the Head of the Committee or the person presiding the session. In case of absence of a quorum, the Head of the Committee or the person presiding the session must convene a new Committee session within three working days, in due order. In case of convening a new session, changes in the agenda shall not be allowed.

112. If the Committee fails to have a quorum in the new Committee session, then the Committee must submit to the Supervisory Board an issue in a written form for the dismissal of the Head of the Committee or the Committee member, who had failed to attend the given and the previous sessions (except in cases defined in points 92 and 93 of this Regulation, as well as in cases, when the reason for

absence of the Head of the Committee or the Committee member was fulfillment of official duties or disease, and relevant supporting documents are available).

113. During 10 working days after receiving the mediation, submitted in accordance with point 112 of this Regulation, the Supervisory Board must convene a Supervisory Board session, including into the agenda the issue of early termination of powers of the Head of the Committee or the given Committee member, and, in case of termination of powers of the Head of the Committee or the given Committee member, shall elect a new Head of the Committee or a Committee member as soon as possible.

114. In case of no quorum as prescribed in this paragraph, the delay periods of the Disciplinary case examination shall not be included in the general terms of investigation of the Disciplinary case.

## **Article 22. Persons participating in the session and their rights**

115. The Plaintiff and the Defendant shall be entitled to attend the session, as well as other persons invited by the Committee. If the Committee holds an open session, then it may also be attended by third persons.

116. During the examination of the Disciplinary case in the Committee session the Plaintiff and the Defendant shall have the right to:

- 1) get familiar with the materials of the Disciplinary case;
- 2) state rejections;
- 3) present evidence and participate in their investigation;
- 4) ask questions, make mediations, give explanations to the Committee;
- 5) present their arguments related to all issues raised during the examination of the Disciplinary case;
- 6) object to other participating persons' mediations and arguments;
- 7) appeal of the Committee's decisions in accordance with this Regulation and the RA Legislation;
- 8) use their other rights reserved to them by this Regulation.

117. During the Committee session the Plaintiff and the Defendant shall be presented through their acting managers or representatives. The acting manager or the representative of the Plaintiff and the Defendant shall present to the Committee documents, certifying their official status or the powers of a representative (except for the Head of the Surveillance Service). The authorization made and given in the manner defined in the RA Legislation shall be considered a document certifying the authorities of the representative.

118. During the Committee session, the acting managers or representatives of the Plaintiff and the Defendant shall have the rights defined in point 116 of this Regulation.

### **Article 23. Other persons participating in the Committee session**

119. If necessary, during the examination of a Disciplinary case, other persons, who, according to this Regulation, act as a witness, an expert or an interpreter, can participate in the Committee session.

120. The Committee shall have the right to call witnesses related to the Disciplinary case by any party's request or on its own initiative.

121. The person who is assigned to perform the examination shall be required to give an objective opinion on the issues raised.

122. The expert shall have the right, if it is necessary for giving a conclusion, to get familiar with the materials of the Disciplinary case, to participate in the Committee sessions, to ask questions, get additional materials by the decision of the Committee. In case of insufficiency of provided materials, the expert shall have the right to refuse to give a conclusion.

123. The Committee shall have the right to appoint an interpreter by any relevant party's proposal, and the latter shall pay for the services of the interpreter.

### **Article 24. Terms and procedures of the Disciplinary case examination**

124. As a rule, the Disciplinary case shall be examined by the Committee and a relevant decision shall be made within one month after receiving the application. According to this Regulation, longer or shorter terms may be provided for examination and solution of Disciplinary cases.

125. The session shall begin with an opening statement by the Head of the Committee, indicating the staff of the Committee and the Disciplinary case, which shall be examined during the given session.

126. After the statement defined in point 125 made by the Head of the Committee, the executive secretary of the Committee shall report to the Committee about the presence of the persons participating in the Disciplinary case, whether the non-present Plaintiff and Defendant had been notified as per the defined order, as well as shall present information, if available, on the reasons of his or their absence.

127. After the report of the executive secretary of the Committee, defined in point 126, the Head of the Committee shall clarify the identity of the Plaintiff and the Defendant and shall check the authorities of the representatives.

128. After the actions of the Head of the Committee, defined in point 127, the Committee, taking into account the opinions of the Plaintiff and the Defendant, shall make a decision on the sequence of examining the evidences. Then the Head of the Committee shall ask the present witnesses to leave the session room (before interrogating them), and shall start the examination of the Disciplinary case as per the sequence of examining the evidences, approved by the Committee.

129. When examining the Disciplinary case, the Committee shall examine the evidences of the case directly – get familiar with the written evidences, examine the material evidences, hear the testimony of

witnesses, the explanations of the Plaintiff and the Defendant, as well as, if necessary, conclusions of the experts.

130. When examining the Disciplinary case, the participants of the session shall refer to the Committee and give their arguments and explanations standing, except for cases permitted by the Head of the Committee.

131. During examining the Disciplinary case by the Committee, the Head of the Committee shall have the right to reject anything that is not related to the examined case. Persons participating and/or present at the session shall be obliged to agree to the requirements of the Head of the Committee related to the proper implementation of the procedures and processes of the Committee session.

132. Persons present at the open session of the Committee shall have the right to make notes, shorthand records and recordings. The video recording and photographing, coverage through printed media, as well as radio and television broadcasting shall be done upon the consent of the Plaintiff and the Defendant, by the Committee's decision.

133. The Committee shall make decisions on the mediations and appeals submitted by the Plaintiff or the Defendant, after examining the opinions of other persons participating in the session.

134. After examining all the evidences during the Committee session, the Head of the Committee shall announce the examination of the case completed and the Committee shall leave to make a decision.

#### **Article 25. The procedure of expedited examination of the Disciplinary case**

135. The Committee has the right to impose expedited examination of the Disciplinary case, if:

- 1) an urgent need for an expedited examination arises from the nature of the Disciplinary case, or;
- 2) the claim, submitted in accordance with the requirements of this Regulation, is evidently reasonable or unreasonable, or;
- 3) regarding the Disciplinary violence revealed in the result of examination of the given Disciplinary case, a valid decision of the RA Central Bank already exists, or;
- 4) regarding the Disciplinary case a corresponding decision of the Committee, put into force in accordance with the Operator's Rules, exists, or;
- 5) the membership or participation in the Market of the Market participant or Issuer, acting as a Defendant in the given Disciplinary case, is terminated, or;
- 6) the Defendant has accepted the fact of the violation done by him in a written form and/or has not objected to the proposal by the Committee to carry out an expedited investigation, or;
- 7) no evidence proving the claim was presented, or;
- 8) other cases, as per the Committee's decision.

136. The Committee shall have the right to apply an expedited examination of a Disciplinary case by its own initiative or by the mediation of the Plaintiff or the Defendant. The proposal on applying an expedited examination of a Disciplinary case shall be presented by the Head of the Committee to the Committee members and the parties in the preparatory period of the case examination.

137. If during the expedited examination of the Disciplinary case the Committee comes to a conclusion that the Disciplinary case is not urgent enough for applying an expedited examination, or there are no sufficient grounds, or the Defendant has objected to applying an expedited examination, then the Committee shall make a decision to cancel the application of an expedited examination. In case of making such a decision, the Committee shall conduct the examination of the Disciplinary case in order defined in Article 24 of this Regulation.

138. In case of availability of grounds defined in points 135 and 136 of this Regulation, the Committee shall make a decision related to the Disciplinary case without convening a session, through a written procedure, by sending the draft of the decision from the Head of the Committee to the Committee members via e-mail and by implementing the voting regarding the draft via e-mail.

#### **Article 26. Evidences of the Disciplinary case**

139. Evidences of the Disciplinary case shall be information obtained by methods, ways and means not prohibited by the RA Legislation, based on which the Committee shall disclose the availability or non availability of circumstances, justifying the claims and objections of the persons, participating in the Disciplinary case, or other circumstances, having importance for making the decision. The given information shall be proved also by:

- 1) written and material evidence;
- 2) conclusion of experts;
- 3) testimony of the witnesses;
- 4) explanations of the persons participating in Disciplinary case.

140. Evidences obtained through violation of the requirements of the RA Legislation shall not be a base for the decisions made by the Committee.

141. Each person, participating in the Disciplinary case, shall prove the circumstances underlying his claims or objections.

142. Evidences may be submitted by the Plaintiff, Defendant or third parties.

143. In case of difficulty or impossibility of bringing the evidences to the Committee, the Committee, by the mediation of the parties, or on its initiative, has the right to inspect and examine them in their location.

144. If necessary, witnesses and experts can be involved in the inspection and examination of the evidences.

145. Circumstances, previously examined and enforced in accordance with the defined rules, confirmed by the court verdict or the decision of the RA Central Bank, shall not be proven once again during the examination of the Disciplinary case by the Committee.

146. The Committee shall estimate each evidence based on a comprehensive, full and objective examination of all the evidences available in the Disciplinary case, based on moral certainty. No evidence shall be considered pre-approved by the Committee, except in cases defined in point 145 of this Regulation.

147. Written evidences shall be acts, containing information about the circumstances, having importance for the Disciplinary case, contracts, reports, business correspondence, other documents and materials, including electronic or other means of communication, or evidence, obtained through other means, enabling to confirm the authenticity of the documents.

148. The written evidences shall be submitted in the original or a properly certified copy. If only one part of the document is related to the examined Disciplinary case, then a properly certified statement shall be submitted. Originals of the documents shall be submitted in the cases, when the circumstances of the Disciplinary case can be proved only with the help of those documents, and, if necessary, by the Committee's request.

149. The original documents circulating in the Disciplinary case, by the mediation of the persons who had submitted them, shall be returned after entry into force of the decision made by the Committee. In such cases, a copy or statement of the document shall be left in the case.

#### **Article 27. Implementation of expertise during the examination of the Disciplinary case**

150. During the examination of a Disciplinary case, the Committee, by the mediation of the Plaintiff or the Defendant, or on its own initiative, can appoint an expert for implementing expertise, with the purpose of clarifying issues, requiring specialized knowledge in scientific, technical or other fields. The expenses related to the examination, initiated by the Plaintiff (except in cases, when the Plaintiff is the Surveillance Service), or the Defendant, shall be covered correspondingly by the Plaintiff or the Defendant. The expenses related to the examination initiated by the Committee or the Plaintiff (the Surveillance Service), shall be covered from the expenses of the Disciplinary case, except the cases, when the claim is satisfied. In case, if the claim is satisfied, the expenses related to the expertise shall be covered by the Defendant.

151. The Plaintiff and the Defendant shall have the right to be present at the expertise, except in cases when their presence may interfere with the normal work of the expert.

152. During expertise, the Plaintiff and the Defendant shall have the right to come up with queries for clarification of issues.

153. The Committee shall make a decision on appointing expertise, in which the list of questions and the content shall be defined.

154. The Plaintiff and the Defendant shall have the right to ask the expert questions, for determining his knowledge in the relevant field.

155. The Committee shall make a decision on appointing an expert. The Committee shall warn the expert about his liability for giving evidently false conclusion. The Committee shall have the signature of the expert, confirming that he is notified, which shall be attached to the materials of the Disciplinary case.

156. The conclusion of the expert shall be made in a written form and must contain:

- 1) indication of the applied methods;
- 2) a detailed description of the examinations done;
- 3) justified answers to the proposed questions;

157. If, in the course of expertise, the expert discloses circumstances, that are important for the Disciplinary case, but related to which he was not proposed questions, he shall have the right to reflect his implications on the given circumstances in his conclusion.

158. The expert's conclusion shall be examined in the Committee session and shall be evaluated along with other evidences.

159. In the case, if the expert's conclusion is incomplete or unclear, the Committee, in order defined in this Article, may appoint an additional or repeated expertise, assigning its implementation to other experts.

#### **Article 28. Witness of a Disciplinary case**

160. Each Witness shall be interrogated separately. The witness shall give the testimony orally. The witness, by the proposal of the Committee, can give the testimony in a written form

161. The information given by the witness shall not be considered as evidence, if he can not clearly indicate the source of his knowledge.

162. The witness shall be obliged to give true testimony, and answer to the questions of the Committee, the Plaintiff and the Defendant.

163. The explanations of the persons participating in the Disciplinary case, related to circumstances known to them and having importance for the Disciplinary case, shall be checked and evaluated together with the other evidences.

164. Acceptance by the person participating in the Disciplinary case of the fact, through which the other person justifies his claims or objections, shall not be obligatory for the Committee. The Committee may

consider the accepted fact as confirmed, if there are no doubts that it corresponds to the circumstances of the case, and the party has not accepted it under the influence of deception, threat or delusion, as a result of a mischievous agreement of the representative of one of the parties with the other party, or with the purpose of hiding the truth.

#### **Article 29. Disciplinary case expenditures**

165. Expenditures related to the Disciplinary case shall comprise of the amounts payable for involving an expert, a witness, examining the evidence in its location and for other actions related to the examination of the Disciplinary case.

166. In case of an agreement between the Plaintiff and the Defendant regarding the distribution of expenses associated with the Disciplinary case, the Committee shall make a decision according to it.

#### **Article 30. The decisions of the Committee**

167. The Committee's decision must be legitimate and justified. The Committee's decision shall be supported only by the evidences examined during the session and shall be made at the end of the examination of the Disciplinary case in a separate room (except in case of an expedited examination of the Disciplinary case). Only the Head of the Committee that examined the given case, the Committee members and the executive secretary of the Committee can be present in the room.

168. The decision of the Committee can be appealed by the Plaintiff or the Defendant to the Committee or to the RA Central Bank within 10 days from the moment of receipt of the decision.

169. During making the decision, each member of the Committee shall have only one vote. The Head of the Committee shall be the last one to vote. In case of equal votes during making the decision, the vote of the Head of the Committee shall be decisive.

170. Immediately after making the decision in order defined in this Regulation, the Head of the Committee shall announce in the session the final part of the decision, as well as shall clarify the procedure for appealing the decision.

171. In case of an expedited examination of the case, the Committee's decision shall not be announced in the session.

172. After announcing the final part of the decision, and, in case of an expedited examination of the Disciplinary case, after receiving the consent of the Committee members regarding the decision, during five business days, the Head of the Committee and the executive secretary shall be obliged to sign the original of the decision, which shall be attached to the Disciplinary case.

173. The preparation of the original can be delayed for no more than five working days.

174. The Committee's decision, in order defined in this Regulation, within two working days from the moment of signing, shall be sent in a proper manner to the Plaintiff, the Defendant and the RA Central Bank.

175. The Head of the Committee or a Committee member, who disagrees with the decision, shall be authorized to make and attach to the made decision his particular opinion, which shall be considered an integral part of that decision.

#### **Article 31. The recording of Committee sessions**

176. The Committee sessions shall be recorded in a mandatory manner.

177. The executive secretary of the Committee, in case of a corresponding application from the Plaintiff or the Defendant, within 2 working days from the moment of submission of the application, shall provide a copy of the recording to the Plaintiff or the Defendant on a carrier provided by the applicant and acceptable for the Operator.

178. In case of an expedited examination of the Disciplinary case, the Committee session shall not be recorded.

#### **Article 32. Provision of Information to the Committee**

179. For realization of a thorough and accurate examination of all the circumstances, the Committee shall be authorized to require information related to the Disciplinary case from the heads of the bodies of the Issuers, Market participants and the Operator, in order defined in the RA Legislation.

180. The request for providing the information specified in point 179 of this Regulation shall be sent in an addressed written form by mail, registered letter, facsimile, e-mail or other means.

181. The Issuer, the Market participant, the Operator's body or the official to whom the request is sent, shall be obliged, within three working days from the date of receipt of the request, to submit the answers to the questions specified in it, or shall present a justified rejection on the impossibility of providing the given information.

### **CHAPTER V. MEANS OF DISCIPLINARY SANCTIONS**

#### **Article 33. Forms of disciplinary sanctions and the bodies applying them**

182. The following disciplinary sanctions may be applied for disciplinary violations:

- 1) warning;
- 2) fine;
- 3) suspension of trading right;
- 4) suspension of the permission on securities trading (listing);
- 5) termination of the status of market maker;
- 6) termination of the status of Market participant;

7) termination of the permission on securities trading (delisting).

183. The penalties provided by this Regulation, except in cases provided by this paragraph, shall be applied by the Disciplinary Committee.

The means of disciplinary sanctions applied in a simplified procedure, provided by this Regulation, shall be applied by the Director.

The decisions on termination of a Market maker status, a Market participant status, or on suspension of permission on securities trading (delisting) shall be made by the Supervisory Board, by the mediation of the Disciplinary Committee.

#### **Article 34. Violation of the requirements of the Operator's Rules**

184. Violation of the requirements of the Operator's Rules (except for other disciplinary violations defined in other Articles of this Chapter) shall cause:

*a warning with an instruction to eliminate the disciplinary violation, or without it.*

185. Making the same violence or failure to fulfill the given instruction within three months from the day of the imposition of the disciplinary sanction provided by point 184 of this Article for the disciplinary violence specified in the same point, shall cause:

*imposition of a penalty for the amount of fifty thousand to one hundred thousand AMD, with an instruction to eliminate the disciplinary violation, or without it.*

186. Making the same violence or failure to fulfill the given instruction within one month from the day of the imposition of the disciplinary sanction provided by point 184 of this Article for the disciplinary violence specified in point 185 of this Article, shall cause:

*1) a penalty for the amount of two hundred fifty thousand AMD and suspension of the right on trading or the permission on securities trading (listing) for a period of one month, or;*

*2) Termination of the status of Market participant or termination of permission on securities trading (delisting).*

#### **Article 35. Price manipulation**

187. Price manipulation in the Market with an authorized financial instrument shall cause:

*1) a penalty for the amount of two hundred fifty thousand up to five hundred thousand AMD and suspension of the right on trading or the permission on securities trading (listing) for a period of one month, or;*

*2) Termination of the status of Market participant or termination of permission on securities trading (delisting).*

188. Making the same violence within six months from the day of the imposition of the disciplinary sanction provided by sub point 1) of point 187 of this Article for the disciplinary violence specified in point 187 of this Article, shall cause:

*a penalty for the amount of five hundred thousand AMD and termination of the status of Market participant or termination of permission on securities trading (delisting).*

#### **Article 36. Violation of the usage restriction of internal information**

189. Performance of operations in the Market by using internal information through violating the Law, legal acts arising from it, and the Operator's Rules, including providing internal information, giving consultancy or advice based on it, shall cause:

*1) a penalty for the amount of one hundred fifty thousand up to three hundred and fifty thousand AMD and suspension of the right on trading or the permission on securities trading (listing) for a period of one month, or;*

*2) termination of the status of Market participant or termination of permission on securities trading (delisting).*

190. Making the same violence within six months from the day of the imposition of the disciplinary sanction provided by sub point 1) of point 189 of this Article for the disciplinary violence specified in point 189 of this Article, shall cause:

*a penalty for the amount of three hundred thousand AMD and termination of the status of Market participant or termination of permission on securities trading (delisting).*

#### **Article 37. Violation of the requirements to a Market maker**

191. Maximum ten minutes after the opening of the trading session till the moment of closing of the trading session, failing to provide continuous two-side quotation (except in case of matching an order of purchase and/or sale during a two-side quotation), shall cause:

*1) a penalty for the amount of one thousand AMD for each minute of violation, but not more than twenty-five thousand AMD, if the violation is eliminated before the moment of the closing of the trading session;*

*2) a penalty for the amount of two thousand AMD for each minute of the violation, but not more than fifty thousand AMD, if the violation is eliminated before the moment of the closing of the trading session and was done for the second time during the same month;*

*3) a penalty for the amount of three thousand AMD for each minute of the violation, but not more than seventy five thousand AMD, if the violation is eliminated before the moment of the closing of the trading session and was done for the third time during the same month;*

*4) a penalty for the amount of four thousand AMD for each minute of the violation, but not more than one hundred thousand AMD, if the violation is eliminated before the moment of the closing of the trading session and was done for the fourth time during the same month;*

*5) a penalty for the amount of one thousand AMD for each minute of the violation, if the violation is not eliminated before the moment of the closing of the trading session, but not more than two hundred thousand AMD;*

*6) a penalty for the amount of five hundred thousand AMD and termination of the status of Market maker of securities of the given class, if the violation is repeated for 5 (five) or more times during one month.*

192. In case of matching an order of buy and/or sell during two-side quotation, failure to provide a new two-side quotation in three minutes shall cause:

*1) a penalty for the amount of one thousand AMD for each minute of violation, but not more than twenty-five thousand AMD;*

*2) a penalty for the amount of two thousand AMD for each minute of the violation, but not more than fifty thousand AMD, if the violation is done for the second time during the same month;*

*3) a penalty for the amount of three thousand AMD for each minute of the violation, but not more than seventy five thousand AMD, if the violation is done for the third time during the same month;*

*4) a penalty for the amount of four thousand AMD for each minute of the violation, but not more than one hundred thousand AMD, if the violation is done for the fourth time during the same month;*

*5) a penalty for the amount of four hundred thousand AMD and termination of the status of Market maker of securities of the given class, if the violation is repeated for 5 (five) or more times during one month.*

193. Failure to conclude at least one transaction during the given trading session in relation to each three actual changes of two-side quotation of securities of the given class during the same trading session, shall cause:

*a penalty for the amount of one hundred thousand AMD.*

194. In case of violation of the requirements for the minimal quotation volume and/or the spread during the trading session, failure by the Market maker to restore their sizes defined by the Market Maker Rules, shall cause:

*a penalty for the amount of one thousand AMD for the fourth and each subsequent minute of the violation, but not more than two hundred thousand AMD.*

195. Conclusion of such a transaction in the trading system by the Market maker, in the result of which no transfer of ownership of the securities traded takes place, shall cause:

*a penalty for the amount of one hundred fifty thousand AMD.*

196. In case of refusing the status of Market maker, failure to repay the amount of recalculated payments within 5 (five) business days from the moment of receiving corresponding invoices, shall cause:

*a penalty for the amount of one hundred fifty thousand AMD.*

#### **Article 38. Failure to pay the penalty imposed for a Disciplinary violation**

197. Failure to make the compulsory payment defined by the decision of imposing a Disciplinary sanction "penalty" due to a Disciplinary violation, within 10 business days after entry into force, shall cause:

*a fine in the volume of 1% (one percent) of the amount of the penalty for each day of delay in the payment, but not more than the amount of the penalty, with an instruction to pay the penalty in due date, or without such an instruction, if, as of the date of imposing the sanction the penalty is already paid.*

198. Failure to fulfill in due dates the instruction given as defined in point 197 of this Article for the Disciplinary violation defined by the same point, or failure to pay the sanction, shall cause:

*Termination of the status of Market participant or termination of permission on securities trading (delisting).*

#### **Article 39. Means of Disciplinary sanctions applied by the Operator in a simplified procedure.**

199. For a violation done by a Market participant or Issuer, by the decision made by the Operator in a simplified procedure, the Operator may:

- 1) suspend the Market participant's trading right for one trading day, if the Market participant, to whose account more means were mistakenly transferred, has fulfilled the requirements, defined in the Operator's Rules, of transferring back the received means with a violation of defined deadline, but during the same working day, thus has not compromised (failed) the settlement of the given trading day;
- 2) suspend the Market participant's trading right for one month, if the Market participant has not fulfilled the requirements, defined in the Operator's Rules, for transferring back the received more means;
- 3) suspend the Market participant's trading right before the opening of the trading session of the particular trading day, during the previous day of which the Market participant will pay the fees, the payment of which is defined by the Operator's Rules, decisions or the contract concluded between the Operator and the Market participant, if the given payment is not made in due dates;

4) suspend the Issuer's permission for securities trading before the opening of the trading session of the particular trading day, during the previous day of which the Issuer will pay the fees, the payment of which is defined by the Operator's Rules, decisions or the contract concluded between the Operator and the Issuer, if the given payment is not made in due dates;

5) in case of violation of the terms of concluding a repo/reverse swap transaction by a participant of the trading, acting on behalf of the Market Participant (except for the cases when the day of conclusion of a repo/reverse swap transaction is delayed during the given trading session in order defined in the Operator's Rules, or, if during the given day a written notice is received by the two parties of the repo/reversed swap transaction about an intension to delay the day of the conclusion of the repo/reversed swap transaction, which, for technical reasons, was not possible to carry out through the trading system), order the Market participant to pay the Operator a fine in the size of 0.1% (zero point one percent) from the amount of the repo/reverse swap transaction not concluded in due dates, and for the transaction, and to the Market participant, acting as the other party of the repo or swap transaction, may order to pay a fine in the size of 0.1% (zero point one percent) from the amount of the repo/reverse swap transaction concluded with violation of due dates, for each day of the violation, if the repo/reversed swap transaction was concluded during 2 (two) working days after the expiry of the due dates;

6) as defined in sub point 5) of this paragraph, in case of not concluding the repo/reversed swap transaction within the terms, defined in the mentioned sub point (except in cases when, in order defined by the Operator's Rules, before the expiry of the due dates for concluding the repo/reversed swap transaction, the repo or swap transaction is terminated fully, or only the repo/reversed swap transaction), may order the Market participant to pay a fine to the Operator or to the Market participant acting as the other party of the repo or swap transaction, in the amount of 2.5% (two point five percent) from the amount of the repo/reversed swap transaction, not concluded due to violation, to each of them, but not more than one million AMD;

7) after the closing of the foreign currency post trading session, in case of having a negative value of the means to be transferred to the Market participant from the Operator's trading account, calculated in accordance with the Operator's Rules, order the Market participant to pay the Operator a fine in the amount of fifty thousand AMD;

8) in case of insufficiency for charging the full amount indicated in the order of the Operator for charge without acceptance from the Market participant's cash account, maintained in the corresponding Settlement bank, in accordance with the Operator's Rules, may order the Market participant to pay the Operator a fine in the amount of 2.5% (two point five percent) from the difference, as well as order the Market participant to pay proportionally the difference to all those who have net positive position in relation to the transactions concluded with credit resources during the given day, and a fine in the amount of 2.5% (two point five percent) from the difference of the interest;

9) Order the Market participant or Issuer to pay monetary penalties and/or fines provided by the Operator's Rules, Operator's decisions or the contract concluded with the Operator, if, for the given

case, payment of a specific monetary penalty and/or fine is provided by the documents defined for the given violation.

The provisions defined in this sub point may be applied also in cases, when the person, who did the violation, has given his initial consent to pay, without the examination of the Disciplinary case, the maximum monetary penalty, defined by the Operator's Rules, for the given violation, and if in the given situation the violation does not any more cause the application of one of the processes of suspension or termination, in order defined by the Operator's Rules;

10) Before making a decision by the Operator's Disciplinary Committee and/or the Board, suspend the Market participant's trading right or the Issuer's permission for securities trading, if grounds for termination of any right of the Market participant, defined in the Operator's Rules, or the permission of the Issuer for securities trading, exist, and a claim was submitted to the Disciplinary Committee by the authorized bodies of the Operator regarding termination of any right of the Market participant, defined in the Operator's Rules, or the permission of the Issuer for securities trading (delisting).

#### **Article 40. Changes and amendments to the Regulation**

200. Changes and addenda to this Regulation shall be its integral part and shall enter into force in order defined by Law, unless otherwise specified in this Regulation.

#### **Article 41. Transitional Provisions**

201. Before the formation of the Disciplinary Committee, the authorizations, responsibilities, tasks and functions of the Disciplinary Committee, defined by this Regulation, shall be performed by the Supervisory Board, which shall have the right to organize the sessions provided by this Regulation remotely - via telephone, and in which all interested persons shall have the right to participate, who benefit from the rights provided by this Regulation.

Approved by the Supervisory Board of

"NASDAQ OMX ARMENIA" OJSC

Konstantin Saroyan \_\_\_\_\_

June "10", 2013

Yerevan

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