

OFFICIAL TRANSLATION

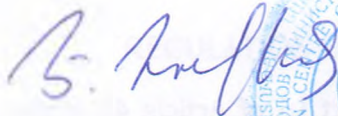
176-N/04.08.2017/EN/I-11.10.2019/15.12.2023

"TRANSLATION CENTRE OF THE MINISTRY OF JUSTICE  
OF THE REPUBLIC OF ARMENIA"  
STATE NON-COMMERCIAL ORGANISATION

EMILIA ADUMYAN

DIRECTOR

15 DECEMBER 2023



**"Registered"**

by the Ministry of Justice  
of the Republic of Armenia

*21 August 2017*

*State registration No 05017344*

BOARD OF THE CENTRAL BANK  
OF THE REPUBLIC OF ARMENIA

4 August 2017

No 176-N

## DECISION

### ON APPROVING REGULATION 8/06 "RULES OF BUSINESS CONDUCT WITH SURETIES"

*(title edited by No 162-N of 11 October 2019)*

Taking as a basis paragraph 2 of part 1.1 of Article 43 of the Law of the Republic of Armenia "On banks and banking", paragraph 3 of Article 9.1 of the Law of the Republic of Armenia "On credit organisations", points "e" and "v" of Article 20 of the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia";

Guided by the requirements of Article 16 of the Law of the Republic of Armenia "On legal acts";

Aiming at regulating the methods and procedures for the implementation of business conduct necessary for protection of the rights and lawful interests of sureties, increasing the effectiveness of the internal control system of the institute of suretyship in banks and credit organisations, the Board of the Central Bank of the Republic of Armenia **decides:**

1. To approve Regulation 8/06 "Rules of business conduct with sureties", pursuant to Annex to this Decision (attached).

*(point 1 edited by No 162-N of 11 October 2019)*

2. This Decision shall enter into force after one month following its official promulgation.

**Deputy Governor of the Central Bank  
of the Republic of Armenia**

**N. Yeritsyan**

10 August 2017

Yerevan

**Annex**  
**to Decision of the Board**  
**of the Central Bank**  
**of the Republic of Armenia**  
**No 176-N of 4 August 2017**

**REGULATION 8/06**  
**RULES OF BUSINESS CONDUCT WITH SURETIES**  
*(title edited by No 162-N of 11 October 2019)*

**1. GENERAL PROVISIONS**

1. This Regulations shall define the requirements for methods and procedures for the implementation of the rules of business conduct with sureties by banks and credit organisations (hereinafter referred to as "the Organisation").
2. Information and documents provided for by this Regulation shall be issued by the Organisation free-of-charge.
3. Within the meaning of this Regulation, a natural person shall be deemed as surety.

**2. INTERNAL LEGAL ACTS ON RULES**  
**OF BUSINESS CONDUCT WITH SURETIES**

4. The Organisations must have rules of business conduct with sureties, the methods and procedures for implementation whereof shall be defined in compliance with this Regulation.

5. The Organisation shall, upon the request of the surety, provide the surety with the carbon copy of the rules provided for by point 4 of this Regulation.

### **3. METHODS AND PROCEDURES FOR APPLICATION OF RULES OF BUSINESS CONDUCT WITH SURETIES**

6. Before concluding another contract of suretyship and a contract on obligation secured by suretyship (a loan contract or a contract on another product), the Organisation must introduce the surety with the essential conditions of the contract of suretyship and the contract on obligation secured by suretyship, the fact that the credit history will deteriorate in case the borrower (co-borrower, debtor) fails to fulfil his or her obligations, the surety's obligation, the size thereof, the provision of information to the credit register and the credit bureau, and the mechanisms for dispute resolution.
7. The organisation shall provide the surety with the carbon copy of the contract of suretyship, as well as the original copy or the carbon copy of the contract on obligation secured by suretyship (including the loan repayment schedule) with the inscription "True to the original".
8. The organisation shall, upon the request of the surety, provide the surety with information on the balance of the loan (obligation) during the entire period of the relationship arising under suretyship.
9. The surety shall, in the contract of suretyship or in a separate document, make the following handwritten note (in case of concluding the contract of suretyship electronically — by typing electronically): "I, (name, surname/title) hereby guarantee the obligation of (name, surname/title) in the amount of ---- and realise that in case the latter fails to fulfil the obligations thereof, I will be fulfilling them, my credit history will deteriorate and I might be deprived of my own property". Moreover, the above-mentioned handwritten indication may be

done by the surety only in the language in which the contract of suretyship was provided to the latter.

10. Where the surety makes the handwritten note defined by point 9 of this Regulation in a separate document, the original copy of the document shall be kept with the Organisation, the carbon copy thereof shall be provided to the surety, and where the note is made in the contract of suretyship, the surety shall make the handwritten note on all the copies of the contract of suretyship.
11. Where the surety is unable to meet the requirement of making the handwritten note provided for by part 9 of this Regulation, the Organisation shall be obliged to ensure the fulfilment of that requirement in other ways (for example, video recording), keeping the grounds recording the fact for at least five years following the expiry of the contract.
12. The Organisation shall communicate with the surety as follows:
  - (1) Communication with the surety shall be carried out in written form.
  - (2) The Organisation shall provide the surety with the opportunity to choose at least three ways of written communication (moreover, in person handover of information in the territory of the Organisation may not be the only way of communication) and explain the essence of communication in the chosen way. And the Organisation shall share with the surety the information defined by sub-points 3 and 7 of this point in one of the selected ways: via a short message (SMS) and/or an electronic message.
  - (3) The Organisation shall be obliged to notify the surety of the existence of a due repayment obligation defined by the repayment schedule at least 1 day before the day of fulfilment by the borrower of the obligation thereof.
  - (4) The Organisation shall send to the surety a proposal or notification on amendments made to the essential conditions of the contract of suretyship and contract on obligation secured by suretyship (interest rate,

commission, penalty, fine, term, loan amount, etc.), which shall contain information on the essential amendments, the time limits for the entry into force of the amendments, and where the legislation requires to obtain the consent of the surety, also the formats for agreeing, as well as the consequences of not giving consent. Moreover:

- (a) Where the Organisation wishes to amend the essential conditions of the contract as a result of which the conditions of the contract deteriorate and/or the obligation increases, and the surety has not given his or her prior consent to their amendment, the Organisation shall, at least 7 working days before, submit a proposal on this amendment to the surety.

Representative example 1: "Dear surety, upon the agreement reached between the Organisation and the borrower, starting from 15 April 2019, it is envisaged to change the amount of the interest rate (from 14% to 16%) and the term of the contract on obligation secured by suretyship (extended by two months; repayment end date — 20 March 2020 instead of 20 January 2020). Should you agree, you need to visit the Organisation by 14 April 2019 and give your written consent. Should you not agree with this amendment and the amendment has already been made, pursuant to the legislation, the suretyship provided by you shall terminate upon the entry into force of the amendment, and should you not agree and the amendment has not been made to the contract, the provisions of the contract secured by your suretyship shall continue to be in effect."

- (b) Where the Organisation envisages amending the essential conditions of the contract which do not provide for a deterioration of the conditions of the contract and/or an increase of the obligation, the Organisation shall, within one working day following the approval of the amendment, notify the surety of the amendment.

Representative example 2: "Dear surety, upon the agreement reached between the Organisation and the borrower, starting from 15 April 2019 the amount of the interest rate of the obligation secured by your suretyship will be changed (from 14% to 12%)."

- (c) Where the Organisation envisages to amend the essential conditions of the contracts (including when additional agreements are concluded within the framework of the contract of suretyship provided in advance), to which the surety has given consent in advance, the Organisation shall, each time, notify the surety of these amendments within one working day following the approval of the amendment.

Representative example 3: "Dear surety, within the scope of and according to the conditions of the contract of suretyship provided by you, starting from 15 April 2019, the Organisation will change the amount of the interest rate of the obligation secured by your suretyship (from 14% to 16%)."

- (5) Where, based on technical and software restrictions (for example, restriction in characters in a short message), it is impossible to submit the representative examples defined in sub-point 4 of this point, the Organisation shall inform the surety of the amendments, further actions, indicating the telephone number or other means of communication whereby it would be possible to learn about details and further actions.
- (6) The Organisation shall also notify the surety of the termination of the contract on obligation secured by suretyship within 7 working days following its termination.
- (7) In case of default — by the debtor — of the obligation provided for by the contract, the Organisation must inform the surety thereon no later than the day following the default, indicating the amount of the balance of the total obligation and the breakdown thereof —the principal amount of the obligation, interests, penalties, fines (if any), separately.

13. In case the Organisation submits a claim to the surety for fulfilling the obligation thereof, the claim must provide for the time period during which the surety is obliged to pay the guaranteed amount; moreover, this time period may not be less than 7 working days.

***(Annex edited by No 162-N of 11 October 2019)***



Կազմված է չորս թերթից:  
Comprises four sheets.