

**Approved**  
**by the shareholders' extraordinary**  
**general meeting of the**  
**“APRICOT CAPITAL” Closed joint stock company**  
**Executive Director Vachik Gevorgyan**



**20 September 2022**

**APRICOT CAPITAL**  
**CLOSED JOINT STOCK COMPANY**  
**REGULATION**  
**ON PROVISION OF CUSTODY SERVICES**

**YEREVAN 2022**



## 1. CONCEPTS

### 1.1. Main concepts used in the Regulation:

**Law.** The law of the RA on Securities Market,

**Custodian.** The Apricot Capital CJSC, which operates on the basis of the licence issued by the Central Bank of Armenia,

**Customer.** A person with whom the Custodian maintains a legally valid securities custody agreement. The customers of the Custodian may include individuals, legal entities, governmental bodies, or communities who hold ownership of securities placed under custody or possess other property rights related to these securities, such as acting as a trustee or pledgee. Additionally, other Custodians may be considered customers, particularly when they operate as a nominee alongside the aforementioned Custodian.

**Name holder.** A person designated in the register of owners (name holders) of nominal securities, either in the Central Depository or with another Custodian, who holds nominal securities on behalf of other individuals without transferring ownership rights. Name holders may include legal entities that are licensed to engage in custodial activities, as well as foreign Custodians authorized by the laws and regulations of their respective countries to hold and manage securities accounts in their name on behalf of other individuals.

**Custody agreement.** An agreement that establishes the rights and obligations of both the Customer and the Custodian in relation to the provision of custody services. This agreement governs the scope of custody activities undertaken by the Custodian on behalf of the Customer.

**Securities account.** A collection of electronic records systematically maintained by the Custodian, encompassing information about the Customer, Securities registered in the Customer's account, associated rights and restrictions on these Securities, terms related to Securities accounting and record execution, and other details as stipulated by relevant legislation.

**Instruction.** A directive from the Customer to the Custodian, instructing specific custodial operations to be carried out,

Initiator of operation. A person initiating a request to execute a custodial operation,

CDA. Central Depository of Armenia Open Joints Stock Company,

**Central Bank.** Central Bank of the Republic of Armenia,

**Issuer.** A person whose issued securities are held in custody, including but not limited to the RA Ministry of Finance and the Central Bank of Armenia,

Place of storage. Another Custodian, foreign Custodian, or registrar with whom the Custodian maintains a nominee account. In this account, the securities held in custody by the Custodian are recorded in a summarized form. For government bonds, the Central Bank is considered the place of storage.

**Foreign Custodian.** A person authorized to conduct securities custody activities beyond the borders of the Republic of Armenia,

**Foreign security.** A security that is neither a government bond nor issued by a resident entity of the Republic of Armenia.,

**Government bond.** A bond issued by the Ministry of Finance or the Central Bank of the Republic of Armenia.

1.2. Other concepts used in this Regulation have the meaning defined by the Law of the RA on Securities Market.

## 2. GENERAL PROVISIONS

2.1. These Regulations define the rules for provision of custody services (hereinafter referred to as the Services) by "APRICOT CAPITAL" Closed Joint Stock Company (hereinafter referred to as the Company).

2.2. This regulation is a publicly accessible document that can be consulted by any interested individual. Additionally, this regulation is subject to being published on the official website of the Custodian.

2.3. The Custodian conducts custody activities in conformity with the RA Civil Code and the Law, as well as the custody activities stipulated in other regulatory legal instruments derived from them, following the procedures set forth by the Settlement System Operator and Regulated Market Operator, and in accordance with the provisions outlined in this Regulation.

2.4. The interactions between the Custodian and CDA, as well as other registrars and Custodians, are governed by contracts signed with the respective parties.

2.5. Any securities issued and circulated within the Republic of Armenia, as well

- as foreign securities, are eligible to be the subject of custody activities.
- 2.6. The entries recorded by the Custodian concerning the securities serve as certification of the Customers' rights to those securities. The ownership rights of the securities transferred to custody are regarded as transferred from the moment a corresponding entry is made in the Customer's Securities account.
- 2.7. The act of delivering securities to custody does not imply the transfer of ownership of the securities to the Custodian. The Custodian is not entitled to exercise the Customer's securities- certificated (securities-derived) rights unless explicitly specified in the custody agreement. Securities held in custody cannot be used as collateral or seized to satisfy the obligations of the Custodian and are not considered part of the liquidation balance sheet in the event of the Custodian's liquidation.
- 2.8. The Custodian bears the responsibility for maintaining accurate records certifying the right to the securities entrusted to custody. This includes ensuring the confidentiality and credibility of these records, providing accurate information about them, and executing necessary actions in a timely manner.
- 2.9. The Custodian is obligated to record entries in the Securities Account only when there are documents that serve as the basis for such entries.
- 2.10. The Custodian is obligated to register instances of encumbering the Customer's securities with a pledge and other rights of third parties, following the procedures outlined in the custody agreement and this regulation.
- 2.11. The Custodian is not responsible for the disclosure of service information provided by the Custodian to third parties when such disclosure is carried out by the individuals who received the information in accordance with the law.
- 2.12. The Custodian is not authorized to determine or control the directions of use of securities owned by the Customer, nor can it impose additional restrictions beyond those specified by normative legal acts or the Custody Agreement on the rights to dispose of the Customer's securities at its own discretion.
- 2.13. The Custodian is not granted the authority to utilize the securities belonging to its Customers for the purpose of settling its own obligations. Furthermore, it is restricted from employing these securities as a method to secure its own obligations, including those owed to other Customers or third parties.

- 2.14. The Custodian maintains distinct records of rights to securities, distinguishing between those owned by the Custodian and those owned by the Customers. This is achieved by establishing both an independent securities account for its own holdings and a nominee account, specifically designated for securities owned by the customers, in the registry or with another Custodian.
- 2.15. The Custodian additionally guarantees the discrete recording of rights to securities owned by each of its Customers, including, in the case of documentary securities, separate storage. This is accomplished by creating a distinct Securities account for each Customer.
- 2.16. The securities owned by Customers are accounted for separately from those held, controlled, or managed by individuals not designated as owners, pursuant to legal authority, instructions, agency agreements, commissions, or trust management accords with the securities' rightful owners. Additionally, securities with restricted rights are subjected to distinct accounting practices. In addition to ownership rights to securities, the rights of persons with other property rights are subject to separate accounting.
- 2.17. The Custodian provides compensation for any harm inflicted upon the Customer due to a failure to fulfill its custodial duties or improper performance, unless evidence demonstrates that the damages were incurred due to force majeure or the fault of the Customer.
- 2.18. Custodial activity also includes the provision of services to the Customer for the purpose of exercising the rights arising from the securities in accordance with the Custody Agreement.

### **3. CUSTODY SERVICES**

- 3.1. As part of its custodial activities, the Custodian can provide the following services to its Customers:
- 3.1.1. Opening and maintaining the Customer's securities account,
  - 3.1.2. Registration of the rights over the Customer's securities,
  - 3.1.3. Act as a nominee of the Customer's securities,
  - 3.1.4. Transfer of information and documents to the Customer by the issuer or other Custodian, as well as to the issuer or other Custodian by the

- Customer with the purpose to exercise the rights arising from securities;
- 3.1.5. Recording corporate actions taken by issuers in connection with securities credited to the Customer's Securities account,
  - 3.1.6. Enrolling securities credited to the Customer's securities account with a pledge or any other form of encumbrance,
  - 3.1.7. Provision of information including reports, on securities account statements and transactions.

#### **4. CUSTODY AGREEMENT**

- 4.1. The provision of custody services to the Customer and the opening of the Securities account for them is conducted in accordance with the terms outlined in the Custody Agreement.
- 4.2. The Custody Agreement is formalized through written documentation.
- 4.3. Prior to signing the Custody Agreement, the Custodian affords the Customer the opportunity to get acquainted with the legal acts regulating the custody activities.
- 4.4. The standardized format for the Custody Agreement is determined by the decision of the head of the executive body of the company.
- 4.5. The Custodian provides the Services to the Customer in compliance with the legislation of the Republic of Armenia and the requirements of the Custody Agreement.
- 4.6. The act of signing the Custody Agreement and opening an account with the Custodian does not impose an immediate obligation on the Customer to deposit securities into that account.
- 4.7. Before entering into a Custody Agreement, the Customer is required to submit the necessary documents in accordance with the Company's Anti-Money Laundering and Anti-Terrorist Financing Regulations. This submission is a prerequisite for finalizing the Agreement.

**5. THE PROCESS OF ASSIGNING NUMERICAL IDENTIFIERS TO GOVERNMENT BONDS ACCOUNTS**

5.1. Government bond accounts:

5.1.1. Securities accounts consist of a 13-character alphanumeric code.

5.1.2. Securities accounts have the following structure:

X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13
Custodian code					status	Customer code					check	

The X6 character functions as an indicator of the account status and may be assigned one of the following codes:

- 4. free,
- 5. restricted due to collateral,
- 6. blocked,
- 7. designed for trading purposes,
- 8. pledged and blocked:

X7X8X9X10X11X12 – This is the Customer's code, and furthermore, the X7X8 characters indicate the Customer type, with the X7 character specifying the investor's status:

- 1. resident,
- 2. not resident.

X8 character designates the Customer group based on affiliation:

- 1. banking institution,
- 2. investment company,
- 3. financial and credit organization (non-banking),
- 4. other legal entity,
- 5. individual.

The Customer code must not match "000000," representing bonds owned by the Custodian itself.

X13- serves as the check digit, computed according to the specifications outlined in cl

## 6. CUSTODY OPERATIONS

- 6.1. Custodial operations are conducted by the Custodian in accordance with instructions, including electronic orders, provided by the Customer, its authorized representative (such as a brokerage firm or trust manager), CDA, other registrar or Custodian, employees of the Custodian, and individuals specified in the Custody Agreement.
- 6.2. The following documents can serve as an instruction:
- 6.2.1. Instructions provided by the Customer, their authorized representative, Central Depository, other registrar or Custodian, officials of the Custodian, and other individuals specified in the custody agreement. These instructions must adhere to the requirements established by relevant legal acts.
- 6.2.2. In the event of the transfer of rights to securities as a consequence of a non-civil legal transaction, such as a legally binding court verdict or judgment, the justification for this transfer must be supported by documents prescribed by law and other relevant legal acts.
- 6.3. In the case where a security within the Customer's Securities Account is jointly owned by multiple individuals (co-owners), only an individual authorized by all co-owners is eligible to submit an instruction for custody operations involving the specified security.
- 6.4. At the conclusion of each custody operation, a report, extract, or reference is prepared and provided to the individuals specified in this regulation. The depository agreement may include provisions for the transmission of reports, statements, or references in electronic format. A transaction report, statement, or reference is an official document issued by the Custodian. It serves as the foundation for the recipient to make necessary entries and accounting statements within its accounting system. The operation performance report, statement, or reference must include essential details about the service fee amount charged for the specific operation.
- 6.5. Upon the Customer's request, the Custodian is obligated to provide any information concerning the Customer's Securities accounts, including closed



accounts, within three years from the date of closure.

## **7. CONFIDENTIALITY**

- 7.1. The Custodian is obliged to ensure the confidentiality of service related information regarding the Customer's accounts. Such information includes but is not limited to:
- 7.1.1. Details regarding the status of the Customer's Securities account,
  - 7.1.2. Details regarding operations conducted on the Customer's Securities account,
  - 7.1.3. Any other information, the confidentiality of which is contingent upon the written request of the Customer.
- 7.2. Information concerning the Securities accounts held with the Custodian is exclusively accessible to the Customer, their Authorized Representative, competent state authorities (in compliance with their legal powers under the RA legislation), the Depositary and its Authorized Representative, and the Foreign Custodian with whom the Custodian has opened a name holder account. Additionally, access may be granted to other individuals as defined by law.
- 7.3. If the Custodian discloses confidential information about the Customer's Securities account, the Customer retains the right to demand compensation from the Custodian to rectify the violated right. This request for compensation is to be pursued in accordance with the procedures established by the legislation of the Republic of Armenia.
- 7.4. The Custodian is authorized to disclose the confidential information outlined in this section to third parties only with the written consent of the Customer.

## **8. THE TECHNICAL IMPLEMENTATION OF CUSTODY OPERATIONS**

- 8.1. The company conducts its custodial activities through electronic means.
- 8.2. The opening, management, closing of securities accounts, and the execution of transactions with these accounts are executed by inputting information into the

designated fields of a computer program.

- 8.3. The accounting of securities, processing of associated documents, and the provision of information to Customers are conducted by authorized employees.

## **9. OTHER PROVISIONS**

- 9.1. This regulation constitutes an integral component of the Custody Agreement.
- 9.2. This regulation comes into force from the moment of its approval by the general meeting of shareholders of the Company.
- 9.3. Commissions for services outlined in this regulation are charged based on rates approved by the head of the executive body of the Company.