

Introduction of the national currency:

In 1993 the Republic of Armenia Law on “The Central Bank of the Republic of Armenia” was adopted, and the National Bank was re-named into the Central Bank of the Republic of Armenia. The national currency, the Dram, was put into circulation in the territory of the Republic of Armenia.

☒ Creation of monetary policy:

In 1994 for the first time, the Central Bank formulated a monetary policy program in that way adopting the strategy to curb inflation.

Creation of national payments and settlements system:

In the period 1996 - 2001 interbank electronic payments system BANKMAIL, government securities accounting and settlements system BOOKENTRY were introduced. The SWIFT system started to be widely used in international payments. Improvement in the banking legislation framework; creation of infrastructures: In the period 2002 - 2004 considerable improvements and innovations were made to the banking legislation, giving birth, among others, to the establishment of guarantee of deposits of individuals. Further, the Central Bank took on the function for combating money laundering and terrorism financing. The process of rehabilitation of the banking sector was completed and Armenian banks availed themselves of increased levels of replenishment of capital.

☒ Central Bank as megaregulator and responsible for financial stability:

In 2006 a single framework for risk-based financial regulation and supervision was introduced in Armenia in compliance with international practice. The Central Bank was given authority to regulate and supervise activities of all participants of the financial sector. So, the Central Bank took on the function of megaregulator along with responsibility for maintaining financial stability. A corporate governance culture was introduced to the financial sector, the banking system in particular. Banks became increasingly service-friendly, in a sounder environment of competitiveness. The principal motivation for creation of a single supervisory authority was to oversee general risks in the market. The trends of merger of banking, insurance and securities businesses all over the world are typical to the developments of the financial market. This requires supervision to launch a complex monitoring of the development trends in the financial market, evaluate risks inherent in various sectors of that market and measure their impact on overall developments of the financial system.

The biggest player of the Armenian financial market is banking sector that accounts for about 90 percent of assets of the financial system. As at December 31 2013, the Armenian financial market numbered 22 banks 21 of which are commercial banks (with 485 branch offices) and 1 development bank (Panarmenian Bank).

☒ Inflation targeting:

In 2006 the Central Bank moved to a fully-fledged inflation targeting strategy.

☒ Development of financial sector; institutional and infrastructural reforms:

In the period 2007 - 2011 the Central Bank initiated legislative reforms pertaining to the financial system operations. This set up a ground for reforms to implement in the non-bank financial sector, namely insurance and capital markets as well as paved a way to implement reforms in infrastructures. NASDAQ OMX, one of the best operators worldwide made its entry to the Armenian market. Further, a consumer interest protection component was established; the office of financial system mediator started its operations; a compulsory third party motor liability insurance scheme was introduced.

MISSION OF THE CENTRAL BANK

The Central Bank of the Republic of Armenia is an independent state authority the ultimate task of which is maintaining price stability in the territory of the Republic of Armenia.

Mission of the Central Bank is to:

- ☒ be a prestigious, transparent, independent, knowledge-based and effective entity that understands and appreciates development trends in international financial community;
- ☒ maintain institutional capacities in order to promptly respond to changes in economic landscape and effectively influence economic processes;
- ☒ always support a sustainable macroeconomic development of Armenia while remaining a key partner to the Government in facing economic challenges.

Key tasks of the Central Bank are to:

- ☒ maintain stability of the financial sector;
- ☒ provide issuance of national currency and ensure cycle of it;
- ☒ combat money laundering and terrorism financing;
- ☒ manage international reserves of the Republic of Armenia;
- ☒ regulate and oversee other areas of competence as provided for under the Republic of Armenia Constitution and Republic of Armenia laws.

The Central Bank is independent from state authorities of the Republic of Armenia in implementing its activities in the context of setting targets and deciding on the tools to achieve these targets. Independence is needed in order to implement effective policies aimed to maintain price and financial stability. In doing so, the Central Bank makes its contribution to a sustainable economic growth in a longer run.

The Central Bank Board is the highest body of the management of the Central Bank. The Central Bank competence in maintaining price stability: carrying on implementing such a monetary policy under the inflation targeting strategy that keeps prices stable and anchors people's inflation expectations within the inflation target, while creating requisite conditions for macroeconomic stability and sustainable economic growth in the long-run.

The Central Bank implements monetary policy based on principles laid down in inflation targeting strategy and floating exchange rate policy. Keeping prices stable under inflation targeting strategy is primary long-term goal of the monetary policy. To achieve this goal, the Central Bank makes sure there is high level of transparency and accountability by making monetary policy programs, tasks and goals and the ways how to achieve them publicly available. Steered by the above principles, in the face of prevailing supply shocks and second-round effects and inflation expectations, the Central Bank currently implements such a policy of price stability in medium-run that is most understandable to people.

Management of the Central Bank

The Central Bank Board consists of the chairman, his deputy and 5 members. Chairman of the Central Bank and Deputy Chairman of the Central Bank are included in the Central Bank Board according to position. The Central Bank Board members are appointed by the President of Armenia for a period of 5 years. Members of the Central Bank Board cannot hold any other paid position in the Central Bank.

The Chairman of the Central Bank is the highest official of the Central Bank. The Chairman is responsible for the fulfillment of the objectives set by this law. In the absence of the Chairman or if he is incapable to perform his duties, he is substituted by his deputy, and in case of absence, or impossibility to govern by the deputy, the eldest member of the Central Bank Board shall act in his place. The Chairman is appointed by the National Assembly, at the presentation by the President, for a period of 6 years, and The Deputy Chairman is appointed by the President, for a period of 6 years. The Chairman of the Central Bank coordinates and ensures the work of the Central Bank, represents the Central Bank in the Republic and abroad, as well as in the international organizations, implements other rights assigned exclusively to the Central Bank Board. The Chairman and his deputy as well as Board Members cannot be members in management of any party, may not hold another state title, or perform other payable work, except for the scientific research, pedagogical and creative activities.