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

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LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 24 November 2004

ON GUARANTEEING COMPENSATION OF BANK DEPOSITS OF NATURAL PERSONS

The purpose of this Law is promoting reliability of the banking system of the Republic of Armenia, increasing public confidence in the banking system and protecting the interests of depositors.

CHAPTER 1

GENERAL PROVISIONS

Article 1. Subject matter of the Law

This Law shall regulate the relations pertaining to guaranteeing the compensation of bank deposits belonging to natural persons, including individual entrepreneurs, in the amount prescribed by law.

(Article 1 amended by HO-5-N of 18 March 2008)

Article 2. Bank deposit and guaranteed bank deposit

1. Within the meaning of this Law and other legal acts adopted on the basis of this Law, a bank deposit (hereinafter referred to as "bank deposit" or "deposit") shall be:

   (a) the amount of money provided by the depositor or by a third party to the benefit of the depositor to the depositor's bank, or the amount of money available in the bank, which is subject to refund and/or payment to the depositor;

   (b) the funds available on settlement, current, term, savings or other account opened in the depositor's bank;

   (c) the funds paid for purchase of nominal securities issued by the bank;

   (d) the amounts of interest accrued on the funds provided for in points (a), (b) and (c) of this part.

Within the meaning of this Law and other legal acts adopted on the basis of this Law, a bank deposit shall not be deemed the funds provided to the bank with the consent of the depositor to assume the risk of using it, or as a reward for leasing or acquiring property or property rights, or providing work or services.

Within the meaning of this Law and other legal acts adopted on the basis of this Law, all types of shares, secured mortgage bonds and equity interest in the statutory capital of a legal person is not deemed as nominal securities.

2. Guaranteed bank deposit (hereinafter referred to as "guaranteed deposit") shall be dram and foreign currency denominated bank deposit invested in the depositor's bank in the amount defined by Article 3 of this Law.

3. Bank deposit shall not be deemed guaranteed deposit if:

   (a) it belongs to the senior official of the given bank and/or his or her family members;

   (b) it is owned by a person holding significant participation in the given bank and/or his or her family members;

   (c) the owner (co-owner) whereof has renounced the ownership right over his or her part;

   (d) it has been recognised as proceeds of crime under law and other legal acts, unless its owner has proved otherwise;

   (e) interest rate on deposit invested in the given bank is at least 1.5 times higher than the interest rate on similar bank deposits indicated in the public offer of that bank to conclude a contract as of the time of investing the bank deposit.

Within the meaning of this Law and other legal acts adopted on the basis of this Law, a depositor shall be the natural person (including individual entrepreneur) who has a deposit in the bank.

Within the meaning of this Law and other legal acts adopted on the basis of this Law, a joint bank deposit shall be the deposit in the name of two or more persons, over which two or more persons have ownership rights.

Within the meaning of this Law, senior official of the bank shall be the chairperson of the board of the bank (the board of directors or the supervisory board), deputy

chairperson and board members, chief executive officer (chairperson of the governing board), his or her deputy, members of the governing board, chief accountant, as well as head of the internal audit unit.

Within the meaning of this Law, members of the same family shall be the father, the mother, the spouse and the children.

Within the meaning of this Law, a significant participant shall be the one defined in the Law of the Republic of Armenia "On banks and banking".

4. Deposits in the banks operating in the territory of the Republic of Armenia (except for their branches established outside the territory of the Republic of Armenia), as well as in the branches of a foreign bank established in the territory of the Republic of Armenia (hereinafter referred to as "bank"), shall be guaranteed.

(Article 2 amended, supplemented, edited by HO-5-N of 18 March 2008, supplemented by HO-104-N of 26 May 2008, amended by HO-2-N of 21 December 2015)

Article 3. Amounts of guaranteed deposit

1. Amounts of guaranteed deposit as defined under this Law shall be:

   (a) if a depositor keeps only a dram denominated bank deposit in the insolvent bank, the amount of the guaranteed deposit shall be sixteen million Armenian drams;

   (b) if a depositor keeps only a foreign currency denominated bank deposit in the insolvent bank, the amount of the guaranteed deposit shall be seven million Armenian drams;

   (c) if a depositor keeps both dram and foreign currency denominated bank deposits in the insolvent bank and the amount of dram denominated bank deposit is in excess of seven million Armenian drams, only dram

denominated deposit in the amount of up to sixteen million Armenian drams shall be guaranteed;

(d) if a depositor keeps both dram and foreign currency denominated bank deposits in the insolvent bank and the amount of dram denominated bank deposit is less than seven million Armenian drams, then the dram denominated bank deposit shall be guaranteed in full and foreign currency denominated bank deposit shall be guaranteed in the amount of difference between seven million Armenian drams and the compensated dram denominated bank deposit.

2. All dram denominated deposits of the depositor in the same bank shall be considered as single deposit, except for non-guaranteed deposits, and all foreign currency denominated deposits of the depositor in the same bank shall be considered as single deposit, except for non-guaranteed deposits.

(Article 3 supplemented by HO-5-N of 18 March 2008, amended by HO-108-N of 24 June 2010, edited by HO-117-N of 26 October 2015, HO-422-N of 16 September 2020)

(Law HO-422-N of 16 September 2020 has a transitional provision related to the Article)

Article 4. The guarantor

The guarantor of deposits shall be the Deposit Guarantee Fund (hereinafter referred to as "the Fund") established under this Law, other laws and legal acts.

CHAPTER 2

PROCEDURE, TERMS AND CONDITIONS OF GUARANTEED DEPOSIT COMPENSATION

Article 5. Cases of guaranteed deposit compensation

Guaranteed deposit compensation case (hereinafter referred to as "compensation case") shall occur when a bank is recognised as insolvent under the procedure established by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies" and upon confirmation by the decision of the Board of the Central Bank of the Republic of Armenia (hereinafter referred to as "the Central Bank") of the fact that the bank is not able to refund the deposits within the terms defined by law and contracts, or when a bank is declared as bankrupt under the procedure established by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies" (hereinafter, in all cases, referred to as "insolvent bank").

The Board of the Central Bank shall render a decision on inability of a bank to refund deposits within the terms defined by law and contracts (on freezing satisfaction of creditor claims) within a week after identifying such case.

(Article 5 edited by HO-5-N of 18 March 2008, supplemented by HO-272-N of 22 December 2010)

Article 6. Organising guaranteed deposits compensation

1. The Central Bank shall notify the Fund of the compensation case on the same day.

2. The Central Bank shall, within the period specified in the Memorandum of Cooperation signed with the Fund, but not later than before the publication of an

additional announcement defined by this Law, provide the Fund with detailed information on the lists of deposits and depositors of the insolvent bank, as well as on distressed debts of the depositor towards the insolvent bank, the amount thereof as of the date of compensation case. The Fund shall be entitled to request additional information on deposits and depositors from the insolvent bank. The insolvent bank shall be obliged to provide the Fund with the required additional information within three working days.

The lists of deposits and depositors must include the name, surname, passport data of the depositor, the amount of all deposited funds in the insolvent bank, the interest accrued as of the date of compensation case, the amount of guaranteed deposits subject to compensation, as well as any other information defined by normative regulatory acts of the Central Bank. The insolvent bank shall be responsible for the accuracy of information included in the lists of deposits and depositors.

3. The banks shall have electronic information system on deposits and depositors in order to maintain and provide information referred to in part 2 of this Article. The terms for maintenance of the electronic information system on deposits and depositors, data input and provision thereof shall be defined in normative regulatory acts of the Central Bank.

4. The Fund shall, within three working days following the date of the compensation case, issue a statement on the compensation case on the official website for public notices of the Republic of Armenia http://www.azdarar.am and at least in one public media, indicating the procedure for receiving the guaranteed deposit, including the procedure for submitting by the depositor a request in writing or electronically, the list of necessary documents and information, conditions, methods, terms. In addition, the Fund may issue the statement through other mass media outlets or choose other method for informing the depositors.

5. The Fund shall compensate the guaranteed deposits based on the lists of deposits and depositors referred to in part 2 of this Article, the claim on compensation of

guaranteed deposit as submitted by the depositor in writing or electronically, and in case of discrepancy between the claim submitted by the depositor in writing or electronically and the list of depositors provided by the Fund, also based on the documents supporting such claim.

6. Claims of depositors submitted in writing or electronically shall be accepted by the insolvent bank, unless the Fund states otherwise by an additional statement specified in part 8 of this Article. Within a maximum of one working day after receiving the claim submitted in writing or electronically, the insolvent bank shall send the claim to the Fund.

7. The depositor may submit a claim in writing or electronically not later than within a three-year period after the date of compensation case. If a depositor fails to submit a claim in writing or electronically within the period specified in this part, the Fund shall not compensate any guaranteed deposits of the depositor. The insolvent bank shall refund the deposits under the procedure established by the legislation of the Republic of Armenia on redemption of liabilities.

8. The Fund shall, at least one day prior to the 20th working day prescribed by part 9, the 15th working day prescribed by part 10, the 10th working day prescribed by part 11 and the 7th working day prescribed by part 12 of Article 29 of the Law, issue an additional statement on the official website for public notices of the Republic of Armenia http://www.azdarar.am, which states:

   (a) names and addresses of the bank and its branches, paying the guaranteed deposits;

   (b) list of documents required for receiving the compensation for the guaranteed deposit, provided that there is discrepancy of information between the claim submitted by the depositor in writing or electronically and the list of depositors provided by the Fund. The Memorandum of Cooperation signed between the Central Bank and the Fund may set another date for the publication of the additional statement.

9. Depositors may apply to the insolvent bank for clarifications if they find discrepancies in the documents on their deposits. The insolvent bank shall respond to the depositor in writing within 3 working days.

(Article 6 edited by HO-5-N of 18 March 2008, amended by HO-140-N of 19 March 2012, edited by HO-2-N of 21 December 2015)

Article 7. Payment of guaranteed deposits

1. The Fund shall compensate the guaranteed deposits through the insolvent bank or another bank. The bank shall be selected upon the decision of the Board of Trustees of the Fund. Relations between the Fund and the bank paying the guaranteed deposits, as pertaining to guaranteed deposits payment, shall be regulated by the agreement concluded between them.

2. The Fund shall, in the manner and within the terms specified in the contract provided for in part 1 of this Article, transfer the required amount to the account of the selected bank and provide all the information necessary for payment of the guaranteed deposits.

3. ***(part repealed by HO-5-N of 18 March 2008)***

4. The bank paying guaranteed deposits shall, under the procedure and in the manner prescribed by the Board of the Central Bank, submit reports to the Fund and the Central Bank on compensation of deposits and other relevant issues.

(Article 7 amended by HO-5-N of 18 March 2008)

Article 8. Procedure for compensation of guaranteed deposits

1. ***(part repealed by HO-2-N of 21 December 2015)***

2. The bank paying the guaranteed deposits shall, within three working days following the expiration of the term established for compensation by this Law,

transfer the residual compensation amounts, if any, to a special account of the Fund opened at the Central Bank.

3. If there are discrepancies of information between a claim on compensation of deposits submitted by the depositor in writing or electronically and the list of depositors provided by the Fund, the bank paying the guaranteed deposits shall apply to the Fund within three working days. The Fund shall consider the application of the bank and within three working days inform the depositor and the bank paying the guaranteed deposits of the decision rendered. The bank paying the guaranteed deposits shall refund the guaranteed deposit based on the Letter of the Fund. In the event of disagreements between the bank paying the guaranteed deposits and the depositor, the latter may apply to the Fund.

4. In the event of disagreement with the Fund, a depositor may apply to the court.

5. Compensation of the guaranteed deposit may be carried out both in cash and non-cash by transferring to the account specified by the depositor.

(Article 8 edited, amended by HO-5-N of 18 March 2008, amended, supplemented by HO-2-N of 21 December 2015)

Article 9. Procedure and the terms of calculating guaranteed deposits

1. When calculating the amount of the guaranteed deposit to be compensated, dram denominated deposits shall be calculated in the first place, and foreign currency denominated deposits shall be calculated in the second place. Moreover, when calculating deposits in dram and foreign currency, the funds provided for in points (a), (b) and (c) of part 1 of Article 2 shall be calculated first, and the funds provided for in point (d) of Article 2 of this Law shall be calculated secondly.

(paragraph repealed by HO-2-N of 21 December 2015)

2. Where a depositor holds an individual bank deposit in an insolvent bank and at the same time owns a joint bank deposit in the same bank, the sum of his or her individual bank deposit and his or her share in the joint bank deposit shall be guaranteed in the manner and amount prescribed by this Law.

3. Where a depositor holds a distressed liability to an insolvent bank, the compensation shall be the positive difference between the bank deposit and the distressed liability, in the manner and amount prescribed by this Law.

   Types of distressed liability and the procedure for calculating the deposit subject to compensation shall be established by the Board of the Central Bank.

4. A joint bank deposit of two or more depositors shall be considered as an individual bank deposit of each person, according to the depositor's share prescribed by the contract. Where the contract does not provide for the shares of depositors in a joint bank deposit, the joint bank deposit shall be divided among the depositors equally.

5. The compensation of a bank deposit shall be made only in Armenian drams. The dram equivalence of bank deposit denominated in a foreign currency shall be determined using the currency market average exchange rate as of the date of the compensation case published by the Central Bank.

6. In case of compensation of the guaranteed deposit, the depositor shall retain his or her right to claim against the insolvent bank in the amount of the difference between the bank deposit and the compensated guaranteed deposit. The difference between a bank deposit and a compensated guaranteed deposit shall be refunded to the depositor under the procedure prescribed by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies".

7. The deposit specified in part 2 of Article 3 of this Law shall not be compensated where that deposit is less than 1000 (thousand) Armenian drams as of the day of the compensation case.

8. In case of amalgamation of a bank or several banks with another bank, from the moment of approving and registering the amalgamation agreement by the Central Bank in the manner prescribed by law, term deposits in each amalgamating bank and belonging to the same depositor shall be guaranteed as individual bank deposits until termination under the deposit agreement. In case of amalgamation of a bank or several banks with another bank, within one year from the moment of approving and registering the amalgamation agreement by the Central Bank in the manner prescribed by law, demand deposits or deposits with other conditions involving term of the deposit, other than term deposits prescribed by this part, available in each amalgamating bank and belonging to the same depositor, shall be guaranteed as individual bank deposits. These deposits shall be guaranteed as a single deposit from the time of expiration of one year prescribed by this part or the termination of the deposit agreement.

(Article 9 amended by HO-153-N of 9 April 2007, amended, supplemented by HO-5-N of 18 March 2008, supplemented by HO-272-N of 22 December 2010, amended, supplemented by HO-2-N of 21 December 2015)

Article 10. The right of regress of the Fund

1. After having compensated the guaranteed amount, the Fund shall obtain a right of claim over the insolvent bank for the actually compensated amount and the expenses related to organisation of the compensation.

2. In the event the bank is recognised bankrupt, it shall fulfil its obligation to the Fund under the procedure prescribed by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies".

3. In case of termination of the administration's activity (financial recovery of the bank) on the grounds established by point (a) of part 1 of Article 18 of the Law of

the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies", the bank shall fulfil its obligation to the Fund in the amount of the deposits actually compensated by the Fund and the expenses related to the organisation of compensation. The bank shall fulfil its obligation to the Fund prescribed by this part within one month from the moment the relevant decision of the Board of the Central Bank enters into force.

(Article 10 amended, supplemented by HO-5-N of 18 March 2008, supplemented by HO-272-N of 22 December 2010)

CHAPTER 3

GUARANTEE CONTRIBUTIONS

Article 11. Guarantee contributions and banks making contribution

1. All banks shall make guarantee contributions to the Fund, except for insolvent banks.
2. Banks must pay regular, non-recurrent and extra guarantee contributions to the Fund in the manner prescribed by this Law. The procedure for calculation of guarantee contributions shall be prescribed by the Board of the Central Bank.
3. Guarantee contributions paid by banks shall be considered as expenses for the banks making the contribution and shall be non-refundable.

(Article 11 edited by HO-5-N of 18 March 2008)

Article 12. Regular guarantee contributions

1. A bank making a guarantee contribution shall pay regular guarantee contributions once in a quarter. The regular guarantee contributions for the given quarter shall be made on the tenth working day of the first month of the next quarter. The amount of regular guarantee contributions shall be 0.05% of the average daily indicator of bank deposits in the reporting quarter that belong to natural persons of the given bank, including individual entrepreneurs, but not less than AMD 1 million per annum. The Central Bank may set other amounts of regular guarantee contributions (expressed as a percentage or in an ultimate value) for particular banks, depending on the level of risk of a particular bank and/or the interest rates on individual types of deposits, according to the criteria set by the Board of the Central Bank; moreover, the total amount of regular guarantee contributions of the bank for the given quarter may not exceed 0.15% of the average daily indicator of bank deposits in the reporting quarter that belong to natural persons of the given bank, including individual entrepreneurs.

2. If on the last day of the reporting quarter the resources of the Fund other than loans, borrowings, guarantees, grants, donations and gifts, exceed 5 per cent of the previous quarter's average daily indicator of the total sum of bank deposits of all banks making contribution, banks shall not make regular guarantee contributions.

   The Fund shall notify the banks and the Central Bank thereof by the fifth working day of the month following the reporting quarter.

3. The average daily indicator of bank deposits for the given period shall be calculated as the total sum of the balance of bank deposits actually recorded in a bank's balance sheet as of each closing day of that period, divided by the number of days of the given period.

(Article 12 amended, supplemented by HO-5-N of 18 March 2008, amended by HO-108-N of 24 June 2010, supplemented by HO-2-N of 21 December 2015)

Article 13. Non-recurrent guarantee contributions

Newly established banks, except for the banks established through reorganisation, shall pay non-recurrent guarantee contributions of AMD 15 million within a period of ten days from the time of being licensed for banking.

Article 14. Extra guarantee contributions

1. Banks shall pay extra guarantee contributions when the Fund's resources other than loans, borrowings, guarantees, grants, donations and gifts, are not sufficient for compensation of guaranteed deposits in the manner and amount prescribed by this Law. Decision on insufficiency of proceeds shall be rendered by the Board of Trustees of the Fund. The Fund shall calculate the amount of extra guarantee payments required for compensation of guaranteed deposits.

2. Banks shall pay extra guarantee contributions to the extent not sufficing the resources of the Fund, in proportion to their share in bank deposits of all such banks making contributions, in the average daily indicator of bank deposits as of the last day of the quarter preceding the adoption of the decision provided for in part 1 of this Article.

3. The amount of extra guarantee contributions paid by a bank during the current year may not exceed three-fold of the amount of its regular guarantee contributions actually paid during the preceding year.

4. If a bank has been operating for more than 6 (six) months upon being licensed for banking, but not more than one year, the maximum amount of the extra guarantee contribution to be paid by the bank during the current year shall not exceed the amount of twelve-fold of the regular contributions actually paid by it for the last quarter. If this amount does not exceed AMD three million, the maximum amount of annual extra guarantee contributions shall be set in the amount of AMD three million.

5. If a bank has been operating for less than 6 months upon being licensed for banking, the maximum amount of the annual extra contributions of the bank shall be set in the amount of AMD three million.

6. If a bank has received a banking license in the period falling from the last day of the quarter preceding the adoption of the decision provided for in part 1 of this Article until the first day of the quarter following the adoption of the decision provided for in part 1 of this Article, the bank shall pay extra guarantee contributions in the amount of AMD 1 million.

7. Banks shall pay extra guarantee contributions within 10 working days from the time of receiving the decision defined in part 1 of this Article.

(Article 14 supplemented by HO-5-N of 18 March 2008)

Article 15. Currency of guarantee contributions

Banks shall pay contributions in Armenian dram.

Article 16. Guarantee contributions of insolvent banks

The bank shall not pay guarantee contributions upon adopting a decision by the Central Bank on recognising the bank as insolvent under the procedure prescribed by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations, investment companies, investment fund managers and insurance companies". The bank shall, within a month period after the Central Bank renders a decision on financial recovery of the bank, pay regular guarantee contributions for the entire insolvency period. The interest payments defined in Article 27 of this Law shall not be made for the insolvency period.

(Article 16 amended by HO-5-N of 18 March 2008, supplemented by HO-272-N of 22 December 2010)

CHAPTER 4

THE FUND

Article 17. Legal status of the Fund

1. The Fund is a non-profit legal entity established in the manner prescribed by this Law, other laws and legal acts, whose founder is the Central Bank.

2. The Fund shall perform functions and obligations assigned to it by this Law.

3. The Central Bank may authorize the Fund to carry out activities related to its functions provided for by this Law or other similar additional activities (including managing other guarantee funds), which shall not jeopardize proper implementation of the tasks of the Fund provided for in this Law.

(Article 17 supplemented by HO-214-N of 12 November 2012)

Article 18. Functions of the Fund

The Fund shall perform the following functions:

(a) collect guarantee contributions;

(b) conduct analysis of the Fund assets, the number of guaranteed deposits, depositors, and other analyses;

(c) file requests to the Central Bank to impose sanctions on the banks that failed to make guarantee contributions defined by this Law, to conduct inspections by the Central Bank to identify authenticity of the reports submitted by the banks;

(d) manage the Fund's assets under the conditions defined by this Law;

(e) compensate guaranteed deposits in the manner, amount and cases defined by this Law;

(f) receive loans (borrowings), guarantees, grants, donations and gifts;

(g) receive necessary information for organising compensation in the manner prescribed by this Law;

(h) provide information on the process of deposit guarantee and compensation;

(i) perform other functions defined by this Law.

Article 19. Management bodies of the Fund

1. Management bodies of the Fund shall be:

   (a) Board of Trustees of the Fund;

   (b) Director of the Fund.

2. The Board of Trustees shall be composed of seven members. Members of the Board of Trustees shall be appointed as follows:

Government of the Republic of Armenia appoints two members;

Board of the Central Bank appoints two members;

Union of Banks of Armenia appoints two members.

If there is more than one union of banks, the Board of the Central Bank shall determine the procedure of nomination and selection of the candidates from the unions of banks.

Appointed members of the Board of Trustees shall elect one member of the Board of Trustees.

The Chairperson of the Board of Trustees shall be elected by the members of the Board of Trustees from among themselves, for a term of five years.

Members of the Board of Trustees shall be appointed (elected) for a term of five years and may be reappointed or re-elected to the same position.

The Board of Trustees shall work on a voluntary basis. The meeting of the Board of Trustees shall be convened at least once a quarter.

No person may be a member of the Board of Trustees who:

(a) has been recognised upon a court decision as having no active legal capacity or having limited active legal capacity, or has been convicted of deliberately committed crime, and the conviction has not been cancelled or expired;

(b) has been deprived of the right to hold a position or engage in activities in the financial sphere in the manner prescribed by law.

A member of the Board of Trustees shall be dismissed from position, if he or she:

(a) has been recognised by court decision as having no active legal capacity or having limited active legal capacity or has been convicted of deliberately committed crime;

(b) has been deprived of the right to hold a position or engage in activities in the financial sphere in the manner prescribed by law;

(c) has not attended, without a good reason, the Board meetings for more than three times during a year;

(d) the appointing or electing body has rendered a decision on his or her early dismissal from the position of a member of the Board of Trustees.

3. The meeting of the Board of Trustees shall have quorum if it is attended by at least five members of the Board. The Board of Trustees shall render decisions by simple majority of votes of the members of the Board. In the event of votes cast equally, the vote of the Chairperson of the Board of Trustees shall be decisive.

4. In accordance with this Law and the Charter of the Fund, the Board of Trustees of the Fund shall exercise the following powers:

(a) render a decision on starting the compensation of deposits;

(b) approve the Charter of the Fund, the amendments and supplements made thereto;

(c) approve the internal procedures regulating activities of the Fund;

(d) approve the Fund's asset allocation and ratio policies, in cooperation with the Board of the Central Bank;

(e) determine the investment portfolio benchmark for the Fund's assets management, in coordination with the Board of the Central Bank. Within the meaning of this Law and other legal acts adopted on the basis of this Law, a portfolio benchmark shall be a target indicator or a set of indicators that determine the claims (accepted level of risks) on the resources managed by the Fund; under the limits of such portfolio the performance of actual management of the portfolio, i.e. the results of the decisions adopted by the Fund shall be evaluated. The portfolio benchmark may determine a currency composition of foreign currency funds, the share of individual currencies, acceptable instruments, a minimum acceptable credit risk of partners, the maximum allowable maturity of individual instruments, an average maturity of the total portfolio, as well as the levels of return on individual assets;

(f) render a decision on the insufficiency of the Fund's resources for compensation;

(g) in case of insufficiency of resources of the Fund for compensation, render a decision on attracting more funds and set terms and conditions;

(h) hear the reports of the Director of the Fund within periodicity set in the Charter of the Fund;

(i) elect the auditor for the Fund;

(j) elect the member of the Board of Trustees specified in part 2 of this Article;

(k) control over performance of its decisions;

(l) control over the current operations and financial and economic activities of the Fund;

(m) render decisions on the election and early termination of the powers of the Director of the Fund and other bodies, as may be established under the Charter;

(n) approve annual administrative expenses, operational expenses and capital investment programme of the Fund and the amendments thereof, annual financial reports and annual reports on the activities of the Fund;

(o) approve the procedure for remuneration and bonus package of the employees of the Fund;

(o)(1) at least once in every five years discuss the issue of revising the size of the guaranteed deposit defined by this Law, with the view to adjust it with the criteria defined by the Fund Charter.

(p) exercise any other powers provided for by the Law and the Fund's Charter.

5. The powers of the Board of Trustees of the Fund provided for in part 4 of this Article may not be transferred to another body under the Charter.

The Board of Trustees shall be entitled to become familiar with all documents of the Fund.

6. An expert with an advisory vote may be invited to the meetings of the Board of Trustees upon the decision of the Board.

Prior to commencing a discussion at the Board of Trustees of an issue provided for in this Article, a concerned Board member of the Board shall declare his or her interest and not participate in the discussion and the voting on the issue concerned.

Within the meaning of this Law, a member of the Board of Trustees shall be considered interested in the discussion of an issue if the decision to be rendered as a result of the discussion of the issue is related to his or her sources of income or that of his or her family members, as well as his or her financial interests or that of persons running a common household with him or her.

The Charter of the Fund shall specify the basic principles of ethics for the members of the Board of Trustees, the incentives to ensure the effectiveness of their conduct, the general principles of interest and conflict of interests of the members of the Board while adopting decisions by the Board of Trustees, as well as envisage provisions on the distribution of work among the members of the Board of Trustees and their responsibilities.

7. Management of daily operations of the Fund shall be performed by the Director of the Fund. The Director of the Fund shall be appointed by the Board of Trustees. The Director of the Fund shall:

   (a) ensure proper functioning of the Fund;

   (b) within his or her competencies, prepare the draft decisions of the Board of Trustees of the Fund;

   (c) manage the Fund's resources in accordance with the benchmark portfolio determined by the Board of Trustees;

   (d) act on behalf of the Fund without a letter of authorisation;

   (e) issue a letter of authorisation;

   (f) conclude contracts, including employment contracts, on behalf of the Fund;

   (g) submit to the approval of the Board of Trustees the internal rules and regulations of the Fund, administrative and organisational structures of the Fund, and the personnel list;

(h) recruit and dismiss, as prescribed, employees of the Fund, apply incentives and disciplinary measures against them in accordance with the Charter;

(i) submit the annual administrative expenditures, operational expenses and capital investment programme of the Fund to the Board of Trustees for approval;

(j) exercise other powers prescribed by the Charter of the Fund.

8. The Director of the Fund shall meet the requirements of professional competence and qualification criteria set by the Central Bank for the executive directors of the banks, and shall have a relevant qualification certificate. The qualification procedure of the Director of the Fund shall be established by the Central Bank.

9. The Fund must have an audit committee or an auditor appointed by the Board of Trustees. The powers of the audit committee or the auditor shall be defined by the Charter of the Fund.

(Article 19 amended by HO-5-N of 18 March 2008, supplemented by HO-108-N of 24 June 2010)

Article 20. Proceeds of the Fund

1. Resources of the Fund shall be the amounts of guarantee contributions defined by this Law, the income from management of such funds, sums received from banks based on the obtained right of the claim over the banks for the Fund's reimbursed amounts, and other income and resources.

2. The amounts of guarantee contributions made by banks shall be accumulated on the special account of the Fund in the Central Bank.

3. The resources of the Fund may be used exclusively for the purposes and in cases prescribed by this Law. No levy of execution, seizure or attachment may be

applied on the resources of the Fund for liabilities of the Fund, its senior officials or third parties not related to the compensation of guaranteed deposits (including loans and borrowings attracted for actual or potential compensation of guaranteed deposits), except for material assets of the Fund and expenditures of the Fund defined by Article 23 of this Law.

(Article 20 supplemented by HO-5-N of 18 March 2008)

Article 21. Receipt of loans, borrowings, guarantees, grants, donations and gifts by the Fund

The Fund may receive loans, borrowings, guarantees, grants, donations and gifts.

Article 22. Management of resources of the Fund

1. Resources of the Fund shall be managed by the Fund.

2. Resources of the Fund may be invested exclusively in financial assets with high payback, as follows:

   (a) government securities of the Republic of Armenia;

   (b) bank deposits and/or bank accounts with the Central Bank and foreign high-rated prime banks;

   (c) securities of the Central Bank;

   (d) standard gold bullions;

   (e) governments and/or central bank securities of high-rated countries;

   (f) securities of high-rated prime organisations and/or banks;

   (g) other financial assets by the decision of the Board of Trustees of the Fund and in agreement with the Board of the Central Bank.

Acceptable rating limits and the list of acceptable rating organisations shall be prescribed by the Board of Trustees of the Fund, in coordination with the Board of the Central Bank.

3. The primary criterion for allocation of the assets of the Fund is their safety and liquidity.

Article 23. Expenditures and capital investment programme of the Fund

(title edited by HO-5-N of 18 March 2008)

1. Expenditures of the Fund shall be as follows:

   (a) operational expenditures:

   - expenditures for compensation of deposits;
   - interests accrued on loans and borrowings;
   - bank commission fees paid by the Fund for asset management and organisation of compensation;
   - losses incurred from the revaluation of assets and sale thereof at a price lower than the balance value;
   - costs for audit and consulting services of the Fund;
   - expenditures related to the coverage and outreach of deposit guarantee and compensation process;

   (b) administrative expenditures:

   - personnel maintenance costs, including salary, bonuses, compulsory social security contributions, staff training and qualification enhancement, secondment and representational costs, maintenance of office vehicles, other social security expenditures;

- expenditures for office communication facilities;
- expenditures for information publications and professional literature;
- expenditures for writing-off of high-wearing items;
- amortisation costs of fixed assets and maintenance, servicing, exploitation and insurance costs of buildings, structures and other fixed assets and resources;
- expenditures on taxes, duties, other mandatory contributions, rental, banking and public utility service fees required to ensure regular operation of the Fund.

2. The capital investment program shall be as follows:

   (a) capital investment for the Fund's principal activity;

   (b) capital investments for administrative purposes.

3. The Board of Trustees of the Fund shall approve the annual administrative expenses, operational expenditures of the Fund and capital investment programme for the purpose to ensure daily operation and performance of the functions of the Fund, as defined by this Law.

4. Administrative expenditures, operational expenditures and the capital investment programme of the Fund shall be made at the expense of the resources of the Fund. For making administrative expenditures, operational expenditures and the capital investment programme, the Fund shall be entitled to open accounts in banks operating in the territory of the Republic of Armenia.

5. Annual administrative expenditures and capital investments of the Fund may not exceed 0.03 per cent of the average daily rate of bank deposits of the previous year of all banks making guarantee contributions.

6. If the actual expenditures made by the Fund in the current year are less than its annual approved administrative and operational expenditures, as stipulated by

this Article, the Fund shall transfer the difference as generated in the end of the year, to the special account defined in Article 20 of this Law.

(Article 23 edited by HO-5-N of 18 March 2008, amended, supplemented by HO-108-N of 24 June 2010)

Article 24. Exchange of information. Reporting by the Fund. Supervision over the activities of the Fund

1. In the cases defined by this Law, the Fund and the Central Bank shall exchange necessary information in the manner and form prescribed by law and legal acts adopted by the Central Bank.

   Banks shall prepare and submit to the Central Bank quarterly statements on the calculation of guarantee contributions, the number of depositors and the amount subject to compensation in the manner and form prescribed by the Board of the Central Bank. The Fund may receive the statements from the Central Bank within ten days from the moment of submitting them to the Central Bank.

2. Except for the statements provided for in part 1 of this Article, the Fund may receive from the Central Bank and (or) banks other information constituting (containing) bank secrecy only when a compensation case provided by this Law arises, in accordance with the procedure established by the Law of the Republic of Armenia "On bank secrecy". Employees of the Fund shall adhere to the rules on keeping and use of state, banking, commercial and official secrets, as defined by the Civil Code of the Republic of Armenia and other laws.

3. The activities of the Fund shall be audited annually by an independent audit organisation authorized to conduct audit activities in the manner prescribed by laws and other legal acts. The opinion of the independent audit organisation and the audited annual financial reports shall be submitted to the Central Bank. The Fund shall, within four months after closing of the financial year, be obliged to

publish brief opinion of the independent audit organisation on the official website for public notices of the Republic of Armenia, http://www.azdarar.am.

4. Information on the resources of the Fund, except for information on the administrative, operational expenditures and capital investments of the Fund, may not be disclosed, provided to other persons and state authorities. The storage, provision and disclosure of such information shall be carried out in accordance with the procedure and conditions established by the Law of the Republic of Armenia "On bank secrecy".

5. The supervision over the activities defined by the Fund under this Law, other laws and other legal acts governing the activities of the Fund shall be exercised by the Central Bank in accordance with the procedure and conditions established by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

   The Central Bank shall submit a report on supervision over the activities of the Fund to the National Assembly of the Republic of Armenia, which shall be included in the annual report provided by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

6. The Central Bank may issue a warning to the Fund for the violations provided for in part 8 of this Article, and an instruction to eliminate the violations within a certain period of time. A warning shall also include an assignment on elimination of the committed violation within the period set forth by the Central Bank and/or on taking measures to prevent such a violation in the future.

7. The Central Bank may impose the following sanctions on the Director of the Fund for the violations provided for in part 8 of this Article:

   - a warning and an assignment to eliminate the violations within a certain period of time; and/or
   - a fine; or
   - deprivation of qualification certificate.

8. The Central Bank may impose the sanctions provided for in this Article on the Fund and/or the Director of the Fund if the Fund and/or the Director of the Fund have committed the following violations:

   (a) have violated the requirements of this Law, other laws and legal acts governing the activities of the Fund and adopted based thereon;

   (b) have violated the bookkeeping rules, as well as the procedure and terms for submitting and publishing the financial or other statements, and/or if such documents contain false or inaccurate data;

   (c) have failed to accomplish the assignment of the Central Bank, as prescribed by this Law.

9. Sanctions provided for in this Article shall be applied to the Fund and/or the Director of the Fund by the Central Bank in accordance with the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

(Article 24 amended by HO-5-N of 18 March 2008, HO-140-N of 19 March 2012)

CHAPTER 5

FINAL PROVISIONS

Article 25. Announcing the terms of and conditions for deposit guarantee

1. In order to ensure transparency, banks shall notify the depositors in writing on the terms of and conditions for guarantee of deposit compensation by a notice handed over the depositor. The written notice shall be made in two copies, one of which remaining with the bank shall be signed by the depositor.

The written notice handed over to the depositor shall contain:

(a) maximum limits of the guaranteed deposit and the procedure for its calculation;

(b) list of not guaranteed deposits;

(c) an indication of whether the depositor's deposit is guaranteed or not;

(d) event of compensation;

(e) terms and conditions for compensation of guaranteed deposits;

(f) the location, address, telephone number of the Fund;

(g) other information as deemed appropriate by the bank.

The Board of the Central Bank may establish a sample form of a notification to be handed over the customers.

2. The absence of a written notice provided for in this Article shall not be a ground for guaranteeing or not guaranteeing a deposit, nor shall it invalidate a bank deposit contract.

Article 26. Supervision over banks' adherence to the requirements of this Law

The Central Bank shall exercise supervision over the observance of the requirements of this Law by banks (including insolvent banks).

Article 27. Liability for violation of this Law

1. In case of failure to perform guarantee contributions prescribed by this Law, interests equal to a three-fold of the bank reference interest rate effective as of the day prescribed for making guarantee contributions shall be applied with regard to these amounts.

2. Banks and senior officials thereof shall be liable for violating this Law and the requirements of other legal acts stemming from this Law under the Law of the Republic of Armenia "On banks and banking".

Article 28. Recognising the Fund as insolvent (bankrupt). Liquidation of the Fund

The Fund may be liquidated or recognised as insolvent (bankrupt) only by law.

Article 29. Transitional provisions

1. This Law shall enter into force on the tenth day following its official publication, except for part 3 of Article 6, which shall enter into force on 30 April 2009. The compensation case of guaranteed deposits defined by this Law shall be considered to have occurred if it has taken place after 1 July 2005.

2. The banks shall, for the period comprising the time when this Law enters into force and until the establishment of the Fund in the manner prescribed by law, make the guarantee contributions at the expense of the special bank deposits guarantee fund maintained by the Central Bank, as defined by this Law. Guarantee contributions defined by this Law, as performed by the banks, the generated resources, the interest payments on them, as well as other resources directed to the special bank deposits guarantee fund, shall be recorded in the account of the special bank deposits guarantee fund.

3. Within ten working days after the establishment of the Fund as defined by law, resources available in the account of the special bank deposits guarantee fund specified in part 2 of this Article, shall be credited to the account of the Fund.

4. The Government of the Republic of Armenia, the Central Bank and the Union of Banks of Armenia shall, within one month after the entry into force of this Law, render a decision on the members of the Board of Trustees of the Fund in accordance with Article 19 of this Law.

5. Within 45 days after the entry into force of this Law, members of the Board of Trustees of the Fund appointed by the Government of the Republic of Armenia, the Central Bank and the Union of Banks of Armenia shall elect the seventh member of the Board of Trustees.

6. The seven members of the Board of Trustees of the Fund shall, within 45 days after the entry into force of this Law, elect the Chairperson of the Board of Trustees of the Fund from among their members.

7. The Board of Trustees of the Fund shall, within a month after the expiration of the term defined in part 6 of this Article, approve the Charter of the Fund, and discuss and decide on issues related to the registration of the Fund.

8. The registration costs of the Fund shall be incurred by the Central Bank.

9. The Fund shall, from 1 March 2016 to 31 December 2017, be obliged to make compensations at the request of depositors, starting from the 20th working day following the event of the compensation case, within maximum three working days once the depositor's request has been submitted, except for cases envisaged by parts 3 and 4 of Article 8 of this Law. Upon request of the Fund, the Board of the Central Bank may extend the 20-day working term specified in this part for another 10 working days. The depositor may submit the request not earlier than starting from the 20th working day following the event of the compensation case.

10. The Fund shall, from 1 January 2018 to 31 December 2020, be obliged to make compensations at the request of depositors, starting from the 15th working day following the event of the compensation case, within maximum three working days once the depositor's request has been submitted, except for cases envisaged by parts 3 and 4 of Article 8 of this Law. Upon the request of the Fund, the Board of the Central Bank may extend the 15-day working term specified in this part for another 7 working days. The depositor may submit the request not earlier than starting from the 15th working day following the event of the compensation case.

11. The Fund shall, from 1 January 2021 to 31 December 2022, be obliged to make compensations at the request of depositors, starting from the 10th working day

following the event of the compensation case, within a maximum of three working days once the depositor's request has been submitted, except for cases envisaged by parts 3 and 4 of Article 8 of this Law. Upon the request of the Fund, the Board of the Central Bank may extend the 10-day working term specified in this part for another 5 working days. The depositor may submit the request not earlier than starting from the 10th working day following the event of the compensation case.

12. The Fund shall, from 1 January 2023, be obliged to make compensations at the request of depositors, starting from the 7th working day following the event of the compensation case, within a maximum of three working once the depositor's request has been submitted, except for cases envisaged by parts 3 and 4 of Article 8 of this Law. Upon the request of the Fund, the Board of the Central Bank may extend the 7-day working term specified in this part for another 3 working days. The depositor may submit the request not earlier than starting from the 7th working day following the event of the compensation case.

13. The Central Bank and the Fund shall, before 1 March 2016, sign a Memorandum of Cooperation defined by parts 2 and 8 of Article 6 of this Law.

(Article 29 edited by HO-5-N of 18 March 2008, supplemented by HO-2-N of 21 December 2015)

President **R. Kocharyan**

of the Republic of Armenia

21 December 2004

Yerevan

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