

REPUBLIC OF ARMENIA LAW

Adopted on 24 November, 2004

ON

GUARANTEE OF REMUNERATION OF BANK DEPOSITS OF PHYSICAL PERSONS

The objective of this Law is to promote a reliable banking system of the Republic of Armenia, to enhance the public confidence in the banking system, and to protect interests of depositors.

CHAPTER 1.

GENERAL PROVISIONS

Article 1. Subject of regulation

This Law regulates relations arising from guarantee of remuneration of deposits invested with the banks on behalf of physical persons, including sole proprietors in the amounts specified by the Law.

(changed article 1 - 18.03.08 RALaw-5-N)

Article 2. Bank deposit and guaranteed bank deposit

1. For the meaning of this Law and other relevant legal regulations adopted based on this Law, a bank deposit (hereinafter - a bank deposit or deposit) involves:

a) any amount provided by a depositor or a third party in favor of the depositor to (or available with) a bank, which is subject to refunding or payment to the depositor;

b) funds in settlement, current, term, savings or other accounts opened with a depositor's bank;

c) funds attracted by nominal securities issued by the bank;

d) amount of interest accrued on the funds provided for in sub-points a), b), c) herewith.

For the meaning of this Law and other relevant legal regulations, a bank deposit does not involve the funds provided to a bank under the depositor's agreement to assume the risk of their use, or which were provided to lease or obtain property, property rights, or which were provided as compensation for work or service rendered.

For the meaning of this Law and other relevant legal regulations, a nominal security does not involve all types of shares, and other securities certifying the participation in the statutory capital of legal entity.

2. A guaranteed bank deposit (hereinafter - a guaranteed deposit) involves dram and foreign currency denominated deposit that a depositor has invested with a bank to the extent determined by Article 3 hereunder.

3. A bank deposit is not a guaranteed deposit, which

a) belongs to a manager of any given bank and/or his/her family members,

b) belongs to a party holding a significant participation in any given bank and/or his/her family members,

c) whose owner (co-owner) has waived ownership over his/her share,

d) has been recognized as a criminally obtained fund under law and other regulations, unless otherwise proved by its owner,

e) has been invested with any given bank at a rate of at least 1.5 times higher than the interest rate on similar bank deposits specified in the offer to sign a public contract by that bank.

For the meaning of this Law and other legal regulations adopted based on this Law, a Depositor means a physical person (including sole proprietor) holding a deposit with a bank.

For the meaning of this Law and other legal regulations adopted based on this Law, a Joint banking deposit means a deposit opened in the names of two or more persons and over which two or more persons have rights.

For the meaning of this Law, a bank manager includes Chairman of board (board of directors or supervisory board), deputy Chairman and board members, Executive Director, deputy Executive Director, Executive board members, Chief accountant, Chairman of audit committee, and Head of the internal audit unit.

For the meaning of this Law, members of the same family involve father, mother, spouse, children.

For the meaning of this Law, a significant participant is considered one defined by The Armenian Law on *the Banks and Banking*.

4. Deposits placed with the banks operating in the Republic of Armenia (with the exception of its branches established outside the Republic of Armenia), as well as with the branches of foreign banks established in the Republic of Armenia (hereinafter referred as “banks”), shall be guaranteed.

(change, additions, editing of article 2 - 18.03.08 RALaw-5-N)

Article 3. Amount of guaranteed deposit

1. The size of the guaranteed deposit under this Law involves:

a) if a depositor holds only a dram denominated bank deposit with the insolvent bank, the amount of the guaranteed deposit will be four million Armenian drams;

b) if a depositor holds only a foreign currency denominated bank deposit with the insolvent bank, the amount of the guaranteed deposit will be two million Armenian drams;

c) if a depositor holds dram and foreign currency denominated bank deposits with the insolvent bank, with the dram deposit amount exceeding two million Armenian drams, only the dram denominated deposit will be guaranteed for up to four million Armenian drams;

d) if a depositor holds dram and foreign currency denominated bank deposits with the insolvent bank, with the dram deposit amount being less than two million Armenian drams, the dram denominated bank deposit will be guaranteed entirely, and

the foreign currency denominated bank deposit - for the difference between two million Armenian drams and the remunerated dram denominated bank deposit.

2. All dram denominated deposits of the depositor with the same bank are considered as one deposit, with the exception of non-guaranteed deposits, and all foreign currency denominated deposits of the depositor with the same bank are considered as one deposit, with the exception of non-guaranteed deposits.

(additions to article 3 - 18.03.08 RALaw-5-N, change 24.06.10 RALaw -108-N)

Article 4. The guarantor

The guarantor for remuneration of deposits is the Deposit Guarantee Fund (hereinafter the Fund) established under this Law, other laws and regulations.

CHAPTER 2.

GUARANTEED DEPOSITS REMUNERATION PROCEDURE, TERMS AND CONDITIONS.

Article 5. Event of remuneration of guaranteed deposits

The event of remuneration of guaranteed deposits (hereinafter referred to as an event of remuneration) occurs when the bank is recognized insolvent based on the Republic of Armenia Law on “Bankruptcy of Banks, Credit Institutions, investment companies, and insurance companies” and when the Board of the Central Bank of the Republic of Armenia (hereinafter - the Central Bank) confirms the fact of disability of the bank to refund the deposits within the timeframe set by law and contracts, or when the bank is recognized bankrupt (hereinafter for all cases referred to as the insolvent bank) based on the Republic of Armenia Law on “Bankruptcy of Banks, Credit Institutions, investment companies, and insurance companies”.

The Board of the Central Bank shall make a decision on the bank’s disability to refund the deposits in the timeframe set by law and contracts (moratorium on the satisfaction of creditors claims) within a week upon the disclosure of this fact.

(editing of article 5 - 18.03.08 RALaw-5-N)

Article 6. Arrangement of remuneration of guaranteed deposits

1. The Central Bank shall notify the Fund of the event of remuneration on the same day of the occurrence of the event.

2. Within 10 days following the event of remuneration the Central Bank provide the Fund with the detailed information on the list of depositors, deposits, as well as depositors’ liabilities to the bank, and their sizes, as of the event of remuneration. The Fund has the right to require from the insolvent bank the additional information of the deposits and depositors.

The insolvent bank is obliged to provide the required additional information to the Fund within 3 days.

The list of deposits and depositors shall include the depositor's first name, surname, passport data, sizes of all deposits placed with the insolvent bank, interest accrued as of the day of the event of remuneration, amount of the guaranteed deposit subject to remuneration, as well as other information defined by the normative acts of the Central bank.

The insolvent bank is responsible for the correctness of data included in the list of deposits and depositors.

3. For the purpose of ensuring maintenance and provision of information referred to in the 2nd part of this article the banks shall be obliged to have an electronic database relating to depositors and deposits. Minimum requirements to operating of the electronic database of depositors and deposits, data maintenance and data provision shall be defined by the normative legal acts of the Central Bank.

4. The Fund shall within three working days following the day of remuneration event publish an announcement about the remuneration event in the press with at least 2000 edition copies and at least through one public media, stating the procedure for receiving guaranteed deposits, including the list of required documents and information, conditions, ways, terms. The Fund may publish this announcement also through other mass media, or use other ways of informing depositors.

5. The Fund shall effect remuneration of guaranteed deposits based on the list of deposits and depositors referred to in part 2 of this article, written claim-sheet submitted by depositor for receiving his/her guaranteed deposit, and documents certifying the claim.

6. Collection of depositors' written claim-sheets shall be carried out by the insolvent bank, unless otherwise announced by the Fund. The insolvent bank after receiving the written claim-sheets shall pass them to the Fund within maximum three days.

7. The depositor may submit the written claim-sheet no later than within one year after the day of the event of remuneration. If a depositor fails to submit the claim-sheet within that period, the Fund shall not remunerate guaranteed deposits to the depositor.

8. The Fund shall within 30 days following the day of the event of remuneration publish additional announcement in the press and other mass media that at least specify

a) name and addresses of the bank and its branch(es) effecting payment of guaranteed deposits;

b) list of required documents for receiving guaranteed deposits.

9. The Fund shall be obliged to pay duly verified claim of depositor within three months following the day of the written claim-sheet submission, with the exception of the cases referred to in parts 3 and 4 of article 8 of the Law. Based of the solicitation from the Fund the board of the Central Bank may extend the period referred to in this part by three more months.

10. In case the depositors find any discrepancies in the deposit documents received from the insolvent bank, they can apply for clarification to the insolvent bank. The insolvent bank shall within 5 days give written answer to the depositor".

(title edited - 18.03.08 RALaw-5-N)

(editing of article 6- 18.03.08 RALaw-5-N)

Article 7. Payment of guaranteed deposits

1. Remuneration of guaranteed deposits shall be carried out by the Fund through the insolvent bank or another bank. The decision on the option of bank shall

be made by the Board of Trustees of the Fund. The relations between the Fund and the payer bank with respect to the payment of the guaranteed deposits shall be regulated by an agreement signed between them.

2. The Fund shall, as and when determined by the agreement mentioned in the point 1 of this article, shall transfer the required amount to the account of the bank opted, and provide all information required for effecting payment of guaranteed deposits.

3. *(the 3rd part is invalidated - 18.03.08 RALaw-5-N)*

4. The payer bank shall submit reports on deposit remuneration and other relevant statements to the Fund and the Central Bank according to the procedure defined by the Board of the Central Bank.

(change to the article 7- 18.03.08 RALaw-5-N)

Article 8. Procedure for remuneration of guaranteed deposits

1. Payment of guaranteed deposits shall start from the moment of publishing the additional announcement referred to in part 8 of article 6 of this Law.

2. Where there remained amounts provided for remuneration, the payer bank shall, within three business days upon completion of the period specified for remuneration by the Law, transfer such amounts to the Fund's special accounts with the Central Bank.

3. In the event the information in a depositor's written claim for remuneration is not adequate to the information in the depositors list provided by the Fund, the payer bank shall contact the Fund within three business days. The Fund shall review the bank's claim and notify the depositor and the payer bank of its decision within three business days. The payer bank shall effect the payment of the guaranteed deposit based on a Fund's written authority. A depositor may contact the Fund in the event of disagreement between the payer bank and the depositor.

4. A depositor may resort to the court in the event of disagreement with the Fund.

(editing, change to article 8 - 18.03.08 RALaw-5-N)

Article 9. Calculation of guaranteed deposits

1. In calculating the remunerable amount of the guaranteed deposit, in the first place there shall be calculated dram denominated deposits, and in the second place-foreign currency denominated deposits. Moreover, the funds provided for in Article 2(1) (a), (b) and (c) hereunder shall be calculated first, and the funds provided for in Article 2(1) (d) shall be calculated second.

The procedure of calculation of the guaranteed deposits is determined by the Board of the Central Bank.

2. Where a depositor holds an individual bank deposit with the insolvent bank and is meantime an owner of a joint bank deposit with the same bank, the guaranteed deposit shall be considered the sum of the individual bank deposit and own portion of the joint bank deposit in the amount and according to the procedure defined by this Law.

3. Where a depositor holds a liability to the insolvent bank, the remuneration shall be the positive difference between the bank deposit and the liability in the amount and according to the procedure defined by this Law.

4. A joint deposit of two or more depositors is treated as an individual bank deposit of each of the parties, apportioned according to the deposit contract. In the event the contract does not apportion the amounts of the joint bank deposit, it shall be divided among the depositors equally.

5. The remuneration shall be effected only in Armenian Drams. The dram equivalency of a foreign currency denominated bank deposit is determined using average exchange rate formed in the currency market published by the Central Bank as of the date of the event of remuneration.

6. In the event of remuneration of guaranteed deposit, the depositor shall retain his/her right of claim to the insolvent bank for the difference between the bank deposit and the remunerated guaranteed deposit. The difference between the bank deposit and the remunerated guaranteed deposit amount is repaid to the depositor in accordance with the Republic of Armenia Law *on* “Bankruptcy of Banks, Credit Institutions, investment companies, and insurance companies”.

7. The deposit referred to in part 2 of article 3 of the Law shall not be guaranteed, if as of the day of the event of remuneration the amount of the deposit is less than AMD 1000 (thousand).

(change to article 9 - 09.04.07 RALaw-153-N, editing, additions- 18.03.08 RALaw-5-N)

Article 10. The Fund’s right to reclamation

1. After having remunerated the guaranteed amount, the Fund shall obtain a right of claim over the insolvent bank for the actually remunerated amount and expenses incurred for arrangement of remuneration.

2. When recognized bankrupt, the bank shall fulfill its liability to the Fund according to the procedure defined by the Armenian Law *on Bankruptcy of Banks and Credit Organizations*.

3. In the event the administration process under the Republic of Armenia Law *on* “Bankruptcy of Banks, Credit Institutions, investment companies, and insurance companies”, Article 18(1, a) is over (when a bank is financially rehabilitated), the bank shall fulfill its liability to the Fund, for the amount of deposits actually remunerated by the Fund and expenses incurred by the Fund for arrangement of remuneration. The bank shall fulfill such liability to the Fund within a month upon entry of the Central Bank respective resolution into force.

(change, addition to article 10 - 18.03.08 RALaw-5-N)

CHAPTER 3.

GUARANTEE CONTRIBUTION CHARGES

Article 11. Guarantee contribution charges and banks making guarantee contribution

1. All banks operating in the Republic of Armenia, with the exception of insolvent banks shall pay guarantee contribution charges.

2. Banks must pay regular, lump-sum, and extra guarantee contribution charges to the Fund in accordance with the procedure defined in this Law. Procedure

for calculation of guarantee contribution charges is defined by the Board of the Central Bank.

3. Guarantee contribution charges paid by banks are treated as expense and are not subject to refunding.

(editing of article 11- 18.03.08 RALaw-5-N)

Article 12. Regular guarantee contribution charges

1. A bank making contribution shall pay regular guarantee contribution charges once in a quarter. The regular guarantee contribution charges for the quarter are made on the 10-th business day of the first month of the next quarter. The amount of regular contribution charges shall be 0.05 percent of the average daily figure of physical persons', including sole proprietors' bank deposits of the bank in a reporting quarter, but not less than AMD 1 million per annum.

2. When at the end of the reporting quarter the resources of the Fund, other than loans, borrowings, guarantees, grants, gifts and donations, exceed 5 percent of the previous quarter's average daily figure of the sum of the bank deposits of all banks making guarantee contributions, banks shall not make regular guarantee contribution charges. The Fund shall notify about this the banks and the Central Bank by the 5-th of the month following the reporting quarter.

3. The average daily figure of bank deposits for the period in review is calculated as sum of the balance of bank deposits, shown in a bank's balance sheet as of each closing day of that period, divided by the number of days of the period in review.

(changes, additions to article 12- 18.03.08 RALaw-5-N, change RALaw – 108 -N)

Article 13. Lump-sum guarantee contribution charges

New banks, other than banks being created through restructuring, shall pay lump-sum guarantee contribution charges in the amount of AND 15 million within ten days upon receiving banking license.

Article 14. Extra guarantee contribution charges

1. Banks shall pay extra guarantee contribution charges only when the Fund's financial resources are not sufficient for effecting remuneration of guaranteed deposits in the amount and according to the procedure defined hereunder. The decision on insufficiency of the resources shall be made by the Board of Trustees of the Fund. The Fund shall calculate the extent of extra guarantee contribution charges required for remuneration of guaranteed deposits.

2. Banks shall pay extra guarantee contribution charges to the extent of the amount not sufficing the resources of the Fund, in proportion with a share of bank deposits of all such banks in the average daily figure of bank deposits, as of the last day of the quarter preceding the decision provided for in point 1 of this Article.

3. The amount of extra guarantee contribution charges paid by a bank during the current year shall not exceed the triple portion of the amount of its regular guarantee contributions paid during the preceding financial year.

4. Where a bank is operating more than 6 (six) months upon being licensed, but no longer than one year, the ceiling of the extra guarantee contribution to be paid during the current year shall not exceed the 12-fold of the regular guarantee

contribution charges actually paid by the bank for the last quarter. Where such amount does not exceed AMD 3 million, the ceiling of the annual extra guarantee contribution amount is defined to be AMD 3 million.

5. Where a bank is operating less than 6 (six) months upon being licensed, the ceiling of the annual extra guarantee contribution charges is defined to be AMD 3 million.

6. Where a bank was licensed within the period from the last day of the quarter preceding the decision provided for in point 1 of this Article hereinabove till the first day of the quarter following the decision provided for in point 1 of this Article, it shall pay extra guarantee contribution charge in the amount of AMD 1 million.

7. Banks shall pay extra guarantee contribution charges within ten business days upon receipt of the decision provided for in point 1 of this Article.

Article 15. Currency of guarantee contribution charges

Banks shall pay guarantee contribution charges in Armenian drams.

Article 16. Guarantee contribution charges of insolvent banks

Bank shall not pay guarantee contribution charges upon adoption of a relevant decision by the Board of the Central Bank on recognizing the bank as insolvent in accordance with procedure defined by the Republic of Armenia Law on “Bankruptcy of Banks, Credit Institutions, investment companies, and insurance companies”. When the Board of the Central Bank makes decision on financial rehabilitation of the bank, the latter shall, within a month upon such decision, pay regular guarantee contributions for the period being in insolvency. The interests provided for in Article 27 hereunder shall not be paid for the period being in insolvency.

(change to article 16- 18.03.08 RALaw-5-N)

CHAPTER 4.

THE FUND

Article 17. Legal status of the Fund

1. Established in accordance with the procedures defined hereunder, by other laws and legal regulations, the Fund is a non-profit legal entity, founder of which is the Central Bank.

2. The Fund performs the functions and carries obligations this Law has authorized thereof.

Article 18. Functions of the Fund

The Fund shall:

- a) collect guarantee contribution charges,
- b) do analyses of the Fund assets, the number of guaranteed deposits, depositors, and other analyses,

- c) file claims to the Central Bank for effecting sanctions to the banks that fail to make guarantee contributions, as defined hereunder, for making inspections by the Central Bank to identify accuracy of bank reporting,
- d) manage the Fund's assets, as defined hereunder,
- e) remunerate guaranteed deposits in the amounts, cases and according to the procedures defined hereunder,
- f) receive loans (borrowings), guarantees, grants, gifts, and donations,
- g) obtain required information for arranging remuneration as defined hereunder,
- h) make efforts to elucidate the process of guarantee and remuneration deposits,
- i) perform other functions as defined hereunder.

Article 19. Management of the Fund

1. Management of the Fund involves:

- a) Board of Trustees of the Fund, and
- b) Director of the Fund.

2. The Board of Trustees consists of seven members. Members of the Board of Trustees are appointed as follows:

- Government of Armenia appoints two members,
- Board of the Central Bank appoints two members,
- Union of Banks of Armenia appoints two members.

In the event of more than one union of banks, the Board of the Central Bank shall determine the procedure for nomination and appointment of the candidates from the unions of banks.

One member of the Board of Trustees is elected by the appointed members of the Board of Trustees.

Chairman of the Board of Trustees is appointed by members of the Board of Trustees for a five-year term.

Members of the Board of Trustees are appointed for a five-year term; they may be reassigned or reappointed to the same position.

The Board of Trustees carries out activities on a voluntary basis.

The meeting of the Board of Trustees is held at least once a quarter.

Members of the Board of Trustees will not involve those who:

- a) were recognized by court decision incapable or partly capable, or were convicted of deliberately committing crime,
- b) were declined under the Law to hold position or involve in activities in the financial area.

A member of the Board of Trustees is discharged from position, if he/she:

- a) was recognized by court decision incapable or partly capable, or was convicted of deliberately committed crime,
- b) was declined under the Law to hold position or involve in activities in the financial area,
- c) has been absent from the board meetings more than thrice in a year for an inadequate reason,
- d) received an authorized body's decision to discharge him/her prematurely from position of a member of the Board of Trustees.

3. The Board of Trustees meeting is competent if at least five members are present in the meeting. The Board of Trustees shall make decisions at simple majority

of votes of the members present at the meeting. In the event of equal votes, the vote of Chairman of the Board of Trustees is decisive.

4. In conformity with this Law and the charter of the Fund the Board of Trustees of the Fund shall:

- a) make decision to commence remuneration of deposits,
- b) approve the charter of the Fund, changes and additions thereof,
- c) approve the internal procedures of the Fund,
- d) approve the asset allocations, areas for allocation, ceilings (policy) in cooperation with the Board of the Central Bank,
- e) decides the investment portfolio benchmark for the Fund's assets management, in cooperation with the Board of the Central Bank. For the meaning of this Law and other relevant regulations, a portfolio benchmark represents a target indicator or a set of indicators that determine the claims (accepted level of risks) on the resources managed by the Fund. The performance of actual management of the portfolio, i.e. the results of the decisions made by the Fund are measured based on these indicators. The portfolio benchmark may define currency composition of FX funds, share of individual currencies, acceptable instruments, a minimum acceptable credit risk of partners, a maximum acceptable maturity of individual instruments, an average maturity of the total portfolio, and levels of return on individual assets,
- f) make decision on insufficiency of the resources of the Fund necessary for remuneration,
- g) make decision to attract more funds and set terms and conditions, when the funds are not sufficient for remuneration,
- h) hear director reports at frequency specified by the charter of the Fund,
- i) elect the auditor for the Fund,
- j) elect the member of the Board of Trustees, as provided for in point 2 of this Article,
- k) control over performance of its decisions,
- l) control over day-to-day operations and financial and economic activity of the Fund,
- m) make decision on appointment of a Director of the Fund and other bodies as may be created in accordance with the Charter, and on premature termination of their authorities,
- n) approve annual administrative expenditures, operating expenditures, and plan of capital investments and changes therein, annual financial reports, and annual operations reports of the Fund,
- o) approve the pay-roll and the bonus package for the staff of the Fund,
- o-1). considers the issue of review of the size of guaranteed amounts in view of its compliance with the criteria defined by the charter of Deposit Guarantee Fund, at least once per five year."
- p) exercise any other authority provided for by the Law and the Fund's charter.

5. The Board of Trustees' authority defined in point 4 of this Article cannot be transferred to any other body, under the charter.

The Board of Trustees is entitled to study all documents of the Fund.

6. An expert (experts) may be invited by the Board of Trustees decision to participate in the Board of Trustees meetings with a consultative voice.

Before holding discussion at meeting of the Board of Trustees about any issue connected with this Article, a concerned board member must declare his/her interest, and not participate in the discussion and a respective voting.

For the meaning of this Law a member of the Board of Trustees is deemed to have an interest in any issue under discussion, if the decision to be made in respect to that issue concerns with his/her or his/her family members' sources of income, as well as his/her financial interest, and financial interest of parties holding a common household with him/her.

The Charter of the Fund shall cover core principles of ethics, motives affecting the effectiveness of their practices, general principles of interest and conflict of interests arising among members of the Board of Trustees in decision-making process. The charter shall also cover distribution of functions and scope of responsibility of the members of the Board of Trustees.

7. Governance of the day-to-day operations of the Fund is the responsibility of the Director. The Board of Trustees appoints the Director of the Fund. The Director of the Fund shall:

- a) ensure normal functioning of the Fund,
- b) draft the Board of Trustees decisions of the Fund, within his/her competence,
- c) manage the Fund's resources in compliance with the benchmark portfolio determined by the Board of Trustees,
- d) act on behalf of the Fund without a letter of attorney,
- e) issue letters of attorney,
- f) enter into contracts, including employment contracts,
- g) present internal work regulations, administrative and organizational structure and staff list of the Fund to the Board of Trustees for approval,
- h) hire people in the Fund and release them, exercise employee encouragement and disciplinary actions,
- i) present annual administrative expenditures, operating expenditures, and plan of capital investments of the Fund to the Board of Trustees for approval,
- j) exercise other authorities as defined by the Charter of the Fund.

8. The Director of the Fund shall meet the professional integrity and qualification criteria set by the Central Bank for Executive Directors of banks, and shall have a relevant qualification certificate. The qualification procedure for the Director of the Fund shall be defined by the Central Bank.

9. The Fund must have the audit committee or auditor appointed by the Board of Trustees. Authorities of the audit committee or auditor shall be determined by the Charter of the Fund.

(changes to article 19 - 18.03.08 RALaw-5-N, addition – 24.06.10 RALaw -108-N)

Article 20. Financial resources of the Fund

1. The Fund's financial resources are: funds received from guarantee contribution charges, the income earned from managing such funds, funds remunerated by the Fund and received back from banks based on the obtained right of claim over banks, other income and resources.

2. The amount of guarantee contribution charges made by banks shall accumulate on the Fund's special account with the Central Bank.

3. The resources of the Fund shall be used exclusively for the purposes and the events defined by this Law. For the liabilities of the Fund, its managers or third parties, which are not related to remuneration of guaranteed deposits (including the loans and borrowings attracted for actual or potential remuneration of guaranteed

deposits), the resources of the Fund shall not be confiscated, charged or levied, except for the material assets and the Fund's expenditures defined by Article 23 of this Law. (*change to article 20 - 18.03.08 RALaw-5-N*)

Article 21. The Fund's receipt of loans, guarantees, grants, gifts and donations

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

Article 22. Management of the Fund's resources

1. The Fund shall manage the resources of the Fund.
2. The resources of the Fund shall 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) standardized gold bullions,
 - e) Government and/or Central Bank securities of high-rated countries,
 - f) securities of high-rated prime institutions and/or banks,
 - g) other financial assets, as determined by the board of trustees in coordination with the Board of the Central Bank.

The Board of Trustees of the Fund determines the permitted rating limits and the list of rating firms in coordination with the Board of the Central Bank.

3. The primary criterion for allocation of the assets is their security and marketability.

Article 23. The Fund's expenditures and plan of capital investments

1. The Fund's expenditures are:
 - 1.1. operating expenditures, including
 - a. expenditures connected with the arrangement of remuneration,
 - b. interest amounts accrued on received loans, borrowings
 - c. bank commissions connected with asset management and arrangement of remuneration by the Fund
 - d. losses arising from revaluation and realization of assets at the cost lower than their book value
 - e. payments against audit and consulting services
 - f. public relations expenditures
 - 1.2. Administrative expenditures, including
 - a. maintenance expenditures, including employee salaries, bonuses, obligatory social security payments, staff training and study expenses, trip and representative expenses, transportation expenses, other social insurance expenses
 - b. communication expenditures
 - c. expenditures for acquisition of specialized literature and obtaining media information
 - d. expenditures arising from write-offs of household goods and quick assets

- e. expenditures incurred from amortization of fixed assets and maintenance, service, exploitation, and insurance of other assets: buildings, constructions, fixed assets and stocks
 - f. expenditures related to ensuring sound operations of the Fund - required payments of taxes, duties, other obligatory payments, amounts for rent, banking, utility services.
2. Plan of capital investments include
- a. capital investments for ensuring the main activities of the Fund
 - b. capital investments for administrative purposes.
3. To ensure sound operations of the Fund, fulfillment of the Fund's functions prescribed by the Law, the Board of Trustees of the Fund shall approve the Fund's annual administrative expenditures, operating expenditures, and plan of capital investments.
4. The Fund's administrative, operating expenditures, and plan of capital investments shall be carried out at the account of the Fund's resources. For incurring administrative, operating expenditures, and implementing capital investment plans the Fund may open accounts with the banks operating in the Republic of Armenia.
5. The size of the annual administrative expenditures and capital investments of the Fund shall not exceed 0.03 percent of the previous year's average daily figure of bank deposits of all guarantee contribution-making banks.
6. Where actual expenditures of the Fund in the current year are less than the amount of approved annual administrative and operating expenditures defined by this article, the Fund shall transfer the difference to the special account provided for in Article 20.
(editing of the title - 18.03.08 RALaw-5-N)
(editing of article 23 - 18.03.08 RALaw-5-N, change, addition 24.06.10 RALaw-108-N)

Article 24. Exchange of information; Reports submitted by the Fund; Control over Fund's operations

1. The Fund and the Central Bank shall exchange necessary information as and when appropriate under this Law, as defined by Law and the Central Bank regulations.

Banks shall prepare and present to the Central Bank quarterly reports on calculation of guarantee contribution charges, the number of the depositors and the amount subject to remuneration, in conformity with the format and procedure defined by the Board of the Central Bank. The Fund may receive these reports from the Central Bank within ten days upon their submission to the Central Bank.

2. Except for the reports mentioned in point 1 of this Article, the Fund may obtain information pertaining to bank secrecy from the Central Bank and/or banks solely upon occurrence of the event of remuneration defined in this Law, in accordance with the Republic of Armenia Law on *Bank Secrecy*. Employees of the Fund shall adhere to public, banking, commercial and official secrecy requirements, and make use thereof, in accordance with the Civil Code of the Republic of Armenia, and other laws.

3. Each year the Fund's operations shall be audited by an independent audit firm, as defined by Law and other regulations. The audit firm's opinion and audited financial statements shall be presented to the Central Bank. The Fund shall publish an independent auditor's brief opinion in the press within four months following closing of a financial year.

4. Information on the resources of the Fund, except for the information on the administrative, operating expenditures, and capital investments of the Fund, can not be made public, made available to other parties and public bodies. The storage, provision and publishing of such information are carried out as determined by the Republic of Armenia Law on *Bank Secrecy*.

5. Control over the activities of the Fund implemented in accordance of this Law, other laws and relevant regulations governing the activity of the Fund, shall be exercised by the Central Bank under the Republic of Armenia Law on *the Central Bank*.

The Central Bank shall submit the report on the audit of activities of the Fund to the National Assembly of the Republic of Armenia as the part of the annual report provided for by the Armenian Law on *the Central Bank*.

6. The Central Bank may exercise a warning to the Fund for the violations provided for in point 8 of this Article, and issue a letter of recommendation to eliminate such violations in a specified period of time. The warning shall also provide for a letter of recommendation to eliminate the violation within the time set by the Central Bank, and/or to take action to prevent the violation.

7. For the violations provided for in point 8 of this Article, the Central Bank may exercise the following sanctions to the Director of the Fund:

- a warning and a letter of recommendation to eliminate the violation in a specified period of time, and/or
- a penalty, or
- depriving him/her of a qualification certificate.

8. The Central Bank may exercise the sanctions provided for by this Article to the Fund and/or the Director of the Fund, if the Fund and/or the Director of the Fund:

- a) infringed the requirements of this Law, other laws and relevant regulations governing the activities of the Fund,
- b) infringed the bookkeeping rules and the procedure and terms for presentation and publishing of financial and other statements, and/or if such documents contain false or inaccurate data,
- c) failed to accomplish the requirements stated in the letter of recommendation issued by the Central Bank, in accordance with this Law.

9. The Central Bank shall exercise the sanctions provided for by this Article to the Fund and/or the Director of the Fund in accordance with the Republic of Armenia Law on *the Central Bank*.

(change to article 24 - 18.03.08 RALaw-5-N)

CHAPTER 5.

FINAL PROVISIONS

Article 25. Announcing terms and conditions for deposit guarantee

1. To ensure publicity, banks must notify the depositors in writing on the terms and conditions for guarantee of remuneration of deposits by delivering such notification to the depositor. The notification shall be drawn up in two copies, one of which remaining with the bank shall be signed by the depositor.

The notification delivered to the depositor shall contain:

- a) maximum amount of the guaranteed deposit, and the method of calculation,

- b) list of not guaranteed deposits,
- c) notice whether or not the depositor's deposit is guaranteed
- d) event of remuneration,
- e) terms and conditions for remuneration of guaranteed deposits,
- f) the Fund's location, address and telephone,
- g) other information, as appropriate.

The Board of the Central Bank may define a sample form of notification to be delivered to the depositor.

2. The absence of the notification provided for herewith is not a ground for guaranteeing or not guaranteeing the deposit, and does not bring in annulment of the bank deposit contract.

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

Control over the banks' (including insolvent banks) adherence to the requirements of this Law shall be exercised by the Central Bank.

Article 27. Liability for infringement of this Law

1. Nonpayment of guarantee contribution charges by banks under this Law shall entail accruals on such contributions using an interest rate three times the reference rate of the Central Bank as of the day.

2. For infringement of the requirements of this Law and relevant regulations, banks and their managers shall also be held liable, pursuant to the Republic of Armenia Law on *Banks and Banking*.

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

The Fund can be liquidated or recognized as insolvent (bankrupt) only by Law.

Article 29. Transitional provisions

1. This Law shall enter into force on the 10th day following its promulgation, with the exception of part 3 of article 6, which shall enter into force on 30 April 2009.

2. Upon entry of this Law into force, but before creation of the Fund in accordance with the Law, banks shall pay contribution charges to the special deposit guarantee fund bank account with the Central Bank according to the procedure and in the amount defined by this Law. Guarantee contribution charges paid by banks, accumulated funds, the interest paid on these funds, and other resources provided for the bank deposits guarantee fund shall be booked in the account of the special bank deposits guarantee fund.

3. Funds credited to the account of the special bank deposits guarantee fund mentioned in point 2 of this Article shall be transferred to the Fund account within ten business days upon creation of the Fund under the Law.

4. Within a month upon entry of this Law into force, the Government of the Republic of Armenia, the Central Bank and the Union of Banks of Armenia shall make a decision regarding the members of the Board of Trustees of the Fund, pursuant to Article 19 of this Law.

5. Within 45 days upon entry of this Law into force, the 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 appoint the seventh member of the Board of Trustees.

6. Within 45 days upon entry of this Law into force, the seven members of the Board of Trustees of the Fund shall elect the Chairman of the Board of Trustees of the Fund from their members.

7. The Board of Trustees of the Fund shall, within a month upon completion of the time specified in point 6 of this Article shall approve the Charter of the Fund and discuss and make a decision regarding the registration of the Fund.

8. The Central Bank shall cover the expenditures for the registration of the Fund.

(editing of article 29- 18.03.08 RALaw-5-N)

THE PRESIDENT
OF THE REPUBLIC OF ARMENIA

R. KOCHARYAN

December 21, 2004
AL- 142-N