

REPUBLIC OF ARMENIA LAW

Adopted 24 November, 2004

GUARANTEE OF REMUNERATION OF BANK DEPOSITS OF PHYSICAL ENTITIES

The purpose 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 defend interest of depositors.

CHAPTER 1.

GENERAL PROVISIONS

Article 1. Subject of regulation

This Law regulates the relations arising out of the guarantee of remuneration in the amount specified by law of deposits of physical entities, including sole proprietors (hereinafter depositors), placed with banks operating in Armenia.

Article 2. Bank deposit and guaranteed bank deposit

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

- a) any such amount, provided by a depositor or a third party in favor of the depositor to or available with a bank, which is subject to be refunded 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 regulations, a bank deposit does not involve the funds, which were 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, or were provided as means of security of liability.

For the meaning of this Law and other relevant 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 a depositor has invested with a bank to the extend determined by Article 3 hereunder.

3. A guaranteed deposit is not a bank 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 its equity,
- d) has been recognized as a criminally obtained fund, unless counter-argued by its owner, under law and other regulations,
- e) has been invested with any given bank at a rate 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, a bank manager includes chairman of board (board of directors or supervisory board), his/her deputy, and board members, executive director, his/her deputy, 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 involves the significant participant as determined by the Armenian Law on *the Banks and Banking*.

4. Bank deposits invested with a bank's branches outside Armenia and with foreign banks' branches established in Armenia shall not be guaranteed.

Article 3. Amount of guaranteed deposit

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

- a) where a depositor holds only a dram denominated bank deposit with the insolvent bank, the amount of the guaranteed deposit will be two million Armenian drams;
- b) where a depositor holds only a foreign currency denominated bank deposit with the insolvent bank, the amount of the guaranteed deposit will be one million Armenian drams;
- c) where a depositor holds dram and foreign currency denominated bank deposits with the insolvent bank, with the dram deposit amount exceeding one million Armenian drams, remuneration shall apply to only the dram denominated deposit, for up to two million Armenian drams;
- d) where a depositor holds dram and foreign currency denominated bank deposits with the insolvent bank, with the dram deposit amount being less than one million Armenian drams, the remuneration shall apply to: i) the dram denominated bank deposit entirely, and ii) the foreign currency denominated bank deposit for the difference between one 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, and all foreign currency denominated deposits of the depositor with the same bank are considered as one deposit.

Article 4. The guarantor

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

CHAPTER 2.

GUARANTEED DEPOSITS – REMUNERATION, TERMS AND CONDITIONS.

Article 5. Event of remuneration of guaranteed deposits

The event of remuneration of guaranteed deposits (hereinafter an event of remuneration) occurs when a bank is recognized insolvent or bankrupt through a procedure determined by the Armenian Law on *Bankruptcy of Banks and Credit Organizations*, and if the bank (hereinafter an insolvent bank) is not able to refund the deposits, as determined by a decision of the Board of the Central Bank of Armenia (hereinafter the Central Bank), within the timing set by law and contracts.

The Board of the Central Bank makes a decision on the bank unable to refund the deposits within the timing set by law and contracts within a week upon the disclosure of this fact.

Article 6. Arrangement of remuneration of guaranteed deposit

1. The Central Bank shall notify the Fund of the event of remuneration within the next business day following the occurrence of the event.

2. The Fund shall make a decision on remuneration of deposits within three days upon receipt of the notification hereinabove, and shall publish a statement in the press of at least 2000 copies. The Fund may publish the statement herewith in other mass media and/or use other means to inform the depositors.

3. The insolvent bank shall within a ten-day period upon issuance of the statement hereinabove provide the Fund with detailed information on depositors, amount of their deposits, as of the event of remuneration, and on depositors' liabilities to the bank (including the principal amount, interest of the liability, fines and penalties) through a procedure determined by the Board of the Central Bank.

4. The Fund shall within a month upon issuance of the statement hereinabove appear with another statement in the press and other mass media to specify i) a name of the remunerator bank; and ii) a procedure, terms and conditions, venue, mode of receipt of the guaranteed deposit (including the list of required documents and information).

5. The depositors may apply to the insolvent bank to obtain information on their account statements and to seek clarification, if errors are identified.

The insolvent bank shall review and respond to the application provided for herewith within a five-day period.

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 option of the bank shall be decided by the board of trustees of the Fund. The relations between the Fund and the payer bank concerning the payment of the guaranteed deposits shall be governed by an agreement signed between them.

2. The Fund shall, as and when determined by the agreement provided for hereinabove, transfer the required amount on to the account of the bank opted, and shall provide the list of the depositors, including their names, passport details, the amount of a deposit invested with the insolvent bank, interest accrued on as of the event of remuneration, the extent of a remunerable guaranteed amount, and other information as determined by the Fund.

3. The Fund shall carry out remuneration of guaranteed deposits through a payer bank based on a depositor's written claim and the list of depositors provided from the Fund. The form of the written claim shall be defined by the Fund.

4. The payer bank shall file reports on deposit remuneration and other relevant statements to the Fund and the Central Bank through the procedure determined by the Board of the Central Bank.

Article 8. Procedure of remuneration of guaranteed deposits

1. Remuneration of guaranteed deposits shall commence upon the issuance of the extra statement set forth in Article 6(4) hereinabove. A depositor may file a claim to the payer bank not later than within one year upon commencement of remuneration. If a depositor fails to file a claim within that period, the Fund shall not remunerate any guaranteed deposits of the depositor.

2. Where there remained amounts provided for remuneration, the payer bank shall, within three business days upon completion of the period specified in point 1 hereinabove, transfer such amounts to the Fund's special accounts with the Central Bank.

3. In the event the information in a depositor's 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 resort to the court 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.

Article 9. Calculation of guaranteed deposits

1. In calculating the remunerable amount of the guaranteed deposit, 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 remuneration shall be the sum of the individual bank deposit and own portion of the joint bank deposit, as determined hereunder.

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, as determined hereunder.

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 proportionally.

5. The remuneration shall be exclusively in Armenian Drams. The dram equivalency of a foreign currency denominated bank deposit is determined using the official exchange rate of 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.

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.

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

3. In the event activities of an administration under the Armenian Law on *Bankruptcy of Banks and Credit Organizations*, Article 18(1)a is over (a bank financially is rehabilitated), the bank shall fulfill its liability to the Fund, for the amount of deposits actually refunded by the Fund. The bank shall fulfill such liability to the Fund within a month upon entry of a Central Bank decision into force.

CHAPTER 3.

CONTRIBUTION CHARGES

Article 11. Contribution charges and banks making contribution

1. Banks other than the branches of foreign banks, operating in Armenia, and the insolvent banks shall make contributions to the Fund.

2. Banks must pay regular, non-recurrent, and extra contribution charges to the Fund through a procedure determined hereunder. Calculation of contribution charges is determined by the Board of the Central Bank.

3. Contribution charges paid by banks are treated as expense and shall not be refunded.

Article 12. Regular contribution charges

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

2. Where the resources of the Fund, other than the income and funds determined by Article 20 hereunder, exceed 2.5 percent of the previous quarter's average daily figure of the sum of the bank deposits of all banks making contribution,

banks will not make regular contribution charges. The Fund shall notify this to 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.

Article 13. Non-recurrent contribution charges

New banks, other than banks being created through restructuring, shall pay non-recurrent contribution charges of AND 15 million within ten days upon being licensed for banking.

Article 14. Extra contribution charges

1. Banks shall pay extra contribution charges only when it turns out that the Fund would not suffice for remuneration of guaranteed deposits, as and to the extent determined hereunder. The insufficiency of the resources shall be decided by the board of trustees of the Fund. The Fund shall calculate the extent of extra contribution charges required for remuneration of guaranteed deposits.

2. Banks shall pay extra 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 Article 14(1) hereinabove.

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

4. Where a bank is operative more than 6 (six) months upon being licensed, but not more than one year, the ceiling of the extra contribution to be paid during the current year shall not exceed the 12-fold of the regular contribution charges actually paid by that bank for the last quarter. Where such amount does not exceed AMD 3 million, the ceiling of the annual extra contribution charges is defined to be AMD 3 million.

5. Where a bank is operative less than 6 (six) months upon being licensed, the ceiling of the annual extra 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 Article 14(1) hereinabove till the first day of the quarter following the decision provided for in Article 14(1) hereinabove, it shall pay extra contribution charges to the extent the amount of AMD 1 million.

7. Banks shall pay extra contribution charges within ten business days upon acknowledgement of the decision provided for in Article 14(1) hereinabove.

Article 15. Currency of contribution charges

Banks shall pay contribution charges in Armenian drams.

Article 16. Contribution charges of insolvent banks

Banks shall not pay contribution charges upon adoption of a relevant decision by the Board of the Central Bank on recognizing the bank as insolvent, as determined

by the Armenian Law on *Banks and Credit Organizations*. When the Board of the Central Bank decides on financial rehabilitation of a bank, the bank shall, within a month upon such decision, pay regular 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.

CHAPTER 4.

THE FUND

Article 17. Legal status of the Fund

1. Established through a procedure determined hereunder, by other laws and regulations, the Fund is a non-profit-driven legal entity whose founder it is the Central Bank.

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

Article 18. Functions of the Fund

The Fund shall:

- a) collect contribution charges,
- b) do analysis of the Fund assets, the number of guaranteed deposits, depositors, and other analyses,
- c) file claims to the Central Bank for sanctions to the banks that fail to make contributions, determined hereunder; for inspections by the Central Bank to identify accuracy of bank reporting,
- d) manage the Fund's assets, as determined hereunder,
- e) remunerate guaranteed deposits as determined hereunder,
- f) receive loans (borrowings), guarantees, grants, gifts, and donations,
- g) obtain required information for arranging remuneration as determined hereunder,
- h) carry out efforts to elucidate guarantee and remuneration of deposits,
- i) perform other functions as determined 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 of nomination and appointment of the candidates from the unions of banks.

Appointed members of the board of trustees appoint one member.

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 committed crime, with a criminal record not settled or resolved,

b) were declined under the law to hold position or evolve 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 evolve activities in the financial area,

c) has been absent from the board meetings more than thrice in a year for an inadequate reason,

d) was 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 adopt 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 supplements thereto,

c) approve the internal policies and procedures of the Fund,

d) approve the 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 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 of the Fund are measured under the limits of such portfolio. The portfolio benchmark may determine a currency composition of FX funds, a 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 for remuneration,

g) adopt decision to attract more funds and set terms and conditions, when there are not sufficient funds 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 Article 19(2) hereinabove,

k) control over performance and observance of provisions 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 under the chapter, and on early termination of their authority,

n) approve administrative expenditures and changes therein, annual financial accounts, and annual activity reports of the Fund,

o) approve the pay-roll and the bonus package for the staff of the Fund,

p) exercise any other authority provided for by the law and the Fund's charter.

5. The board of trustees' authority provided for in Article 19(4) herewith cannot be transferred to any other body, under the charter.

The board of trustees is entitled to survey all documents of the Fund.

6. An expert (experts) may be invited by a board decision to participate in the board of trustees meetings at a consultative voice.

Before holding discussion at the board of trustees of an issue provided for herewith, a concerned board member must declare his/her interest, and not participate in the discussion and a respective voting.

For the purpose of this Law, a member of the board of trustees is deemed to have interest in an issue under discussion, if the decision to be made as a result of the addressed issue relates to his/her or family members' sources of income, 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 conduct of ethics, motivation, interest and conflict of interest, in decision-making, of members of the board of trustees. The charter shall also cover distribution of functions and scope of responsibility of 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 the 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) appear 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 operational rules and regulations, administrative and organizational and staff structures of the Fund to the board of trustees for approval,

h) hire people for employment in the Fund and release them, exercise employee encouragement and disciplinary action procedures,

i) present administrative expenditures of the Fund to the board of trustees for approval,

j) exercise other authority as determined 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 procedure of qualification for the director of the Fund shall be determined by the Central Bank.

9. The Fund must possess the audit committee or auditor appointed by the board of trustees. Authorities of the audit committee or auditor shall be determined by charter of the Fund.

Article 20. Resources of the Fund

1. The Fund's resources are: the funds from contribution fees, the income from management of such funds, the fees remunerated by the Fund, the fees received from banks based on the obtained right of claim over banks, other income and resources.

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

3. The resources of the Fund will be used exclusively for the purposes and the events determined hereunder. 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 administrative expenditures determined by Article 23 hereunder.

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

The Fund may receive for its behalf 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 safety and marketability.

Article 23. The Fund's administrative expenditures

1. For day-to-day operation and performance of the functions of the Fund, provided for herewith, the board of trustees of the Fund shall approve the annual administrative expenditures of the Fund.

2. Administrative expenditures of the Fund shall be made at the expense of the Fund's resources. For making administrative expenditures, the Fund may open accounts with the banks operating in Armenia.

Annual administrative expenditures of the Fund shall not exceed 0.03 percent of the previous year's average daily figure of bank deposits of all contribution-making banks.

3. Where expenditures made by the Fund in the current year are less than its annual approved administrative expenditures, as determined herewith, the Fund shall transfer the difference to the special account provided for in Article 20 hereinabove.

Article 24. Exchange of information; Reporting by the Fund; Control over Activity

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

Banks shall prepare and present to the Central Bank quarterly statements on calculation of contribution charges, the number of the depositors and the amount due to be remunerated, in conformity with the format and procedure determined by the Board of the Central Bank. The Fund may receive the statements from the Central Bank within ten days upon their submission to the Central Bank.

2. Except for the statements provided for hereinabove, the Fund may obtain information pertaining to bank secrecy from the Central Bank and/or banks solely upon occurrence of the event of remuneration provided for hereunder, as determined by the Armenian Law on *Bank Secrecy*. Employees of the Fund shall adhere to public, banking, commercial and official secrecy requirements, and make use thereof, as determined by Civil Code of the Republic of Armenia, and other laws.

3. Each year the activities of the Fund shall undergo an audit carried out by an independent audit firm, as determined by law and other regulations. The audit firm's opinion and audited financial accounts shall be presented to the Central Bank. The Fund will publish a concise independent auditor's 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 expenditures 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 Armenian Law on *Bank Secrecy*.

5. Control over the activity of the Fund, determined hereunder, other laws and relevant regulations governing the activity of the Fund, shall be exercised by the Central Bank, under the Armenian Law on *the Central Bank*.

The Central Bank shall submit the report on the audit of the 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 Article 24(8) hereunder, and issue a recommendation to eliminate such violations in a specified period of time. The warning shall also provide for a 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 Article 24(8) hereunder, the Central Bank may exercise sanctions to the director of the Fund, as follows:

- a warning and a recommendation to eliminate the violation in a specified period of time, and/or

- a penalty, or

- depriving him/her from a qualification certificate.

8. The Central Bank may exercise the sanctions provided for herewith 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 recommendation issued by the Central Bank under this Law.

9. The Central Bank shall exercise the sanctions provided for herewith to the Fund and/or the director of the Fund as determined by the Armenian Law on *the Central Bank*.

CHAPTER 5.

FINAL PROVISIONS

Article 25. Announcing terms and conditions for deposit guarantee

1. To ensure transparency, 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) ceiling of the guaranteed deposit, and the method of calculation,

b) list of the deposits not guaranteed,

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 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 contract of the bank deposit.

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

1. Nonpayment of 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 as, and to the extent, stipulated by the Armenian 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 10-th day following an official publication. The event of remuneration of guaranteed deposits, determined hereunder, is deemed occurred if it occurred after 01 July, 2005.

2. Upon entry of this Law into force, but before creation of the Fund as determined by the law, banks shall pay contribution charges to the benefit of the special bank deposit guarantee account with the Central Bank as, and to the extent, determined herewith. Contribution charges paid by banks, the funds accumulated, the interest paid on these funds, and other resources intended for the special bank deposits guarantee fund shall be booked in the account of the special bank deposits guarantee fund.

3. Resources in the account of the special bank deposits guarantee fund, provided for in Article 29(2) hereinabove, shall be handed over to the Fund 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 on the members of the board of trustees of the Fund, pursuant to Article 19 hereinabove.

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.

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.

7. The board of trustees of the Fund shall, within a month upon completion of the time specified in Article 29(6) herewith, approve the charter of the Fund, and shall discuss and make a decision on the registration of the Fund.

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

THE PRESIDENT
OF THE REPUBLIC OF ARMENIA

R. KOCHARYAN

December 21, 2004
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