

THE LAW OF THE REPUBLIC OF AZERBAIJAN

on Deposit Insurance

This Law shall determine principles for creation and operation of the collective compulsory insurance system for deposits of individuals with banks operating in the Republic of Azerbaijan, as well as the deposit compensation procedures.

Chapter I

General provisions

Article 1. **The goal of creating the deposit insurance scheme**

The goal of establishing the deposit insurance scheme shall be to prevent the risk of losing money deposited by individuals and ensure resilience and development of the financial and banking system whenever banks and local branches of foreign banks become insolvent. *Relations on deposit insurance in the Alat free economic zone shall be regulated in accordance with the requirements of the Law of the Republic of Azerbaijan' on Alat Free Economic Zone'*

Article 2. **Main definitions**

2.1. The definitions used in this Law shall bear the following meanings:

2.1.1. deposit — funds accepted by the bank in the national and foreign currencies that are returnable, along with the interest accrued, under applicable laws or agreements, *including deposits owned by individuals credited to deposit accounts of notaries.*

2.1.2. protected deposit — the deposit compensated by the Deposit Insurance Fund (hereinafter – the Fund) to the depositor when an insurance event occurs. The following deposits shall not be attributed to protected deposits:

~~2.1.2.1. proceeds from placement of unregistered debt securities (unregistered deposit certificates).~~

2.1.2.2. deposits attracted by bank's offices outside the Republic of Azerbaijan.

2.1.2.3. deposits as defined by the legislation in connection with suspicious transactions involving the legalization of *criminally obtained funds or other property* and the financing of terrorism;

2.1.2.4. deposits resulting from a committed crime, as confirmed by a court order.

2.1.2.5. seized deposits.

2.1.2.6. deposits received at an annual interest rate over the *limit defined pursuant to the Article 8.1.20 of this Law*, as of the date of attraction.

2.1.2.7. *over 20 (twenty) thousand manat in bank accounts opened by individuals in connection with entrepreneurial activity;*

2.1.2.8. funds of individuals managed by banks on a trust basis.

~~2.1.2.9. whether the matured or not, a deposit equal to principal of, and interest on the depositor's debt to the bank.~~

~~2.1.2.10. deposits securing liabilities due to the bank.~~

2.1.3. insured deposit – a portion of a protected depositor's protected deposit that is compensated by the Fund.

2.1.4. depositor—an individual who has a deposit with a bank, as well as a person entitled, by law or agreement, to dispose of the deposit.

2.1.5. protected depositor— an individual, other than those described below, who has a bank deposit:

2.1.5.1. members of the bank's Supervisory Board, Audit Committee, Management Board, and their close relatives (spouses, parents and children, including adopted children, siblings).

~~2.1.5.1. the financial markets supervisory authority—the institution established by the relevant executive authority to regulate and supervise financial markets.~~

2.1.5.2. persons who hold 10 per cent or more of bank's voting shares and their close relatives (spouses, parents, and children, including adopted children, siblings).

2.1.5.3. external auditors who audited the bank in the calendar year preceding the date the payment of compensation was first announced.

2.1.6. member bank – a bank or a local branch of a foreign bank obligated to pay insurance fees to the Fund in accordance herewith.

2.1.7. joint deposit account—a bank account owned by one or more individuals and disposable with the signature of one or several of them.

2.1.8. insurance fees—membership, calendar and supplementary fees paid by member banks to the Fund in accordance herewith.

2.1.9. insurance event— an approval by the *Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank)* of member bank's forced liquidation or declaring the bank bankrupt, or entry into force of a court decision on imposing a moratorium on performance of

deposit liabilities under the law and bank's failure to perform statutory or contractual liabilities due to depositors.

2.1.10. day of insurance event – the date stated in the notice dispatched by the *Central Bank* to the Fund hereunder as the day of occurrence of the insurance event.

2.1.11. Compensation – funds paid to protected depositors in case of an insurance event.

Chapter II

The Deposit Insurance Fund

Article 3. Legal status of the Deposit Insurance Fund

3.1. The Deposit Insurance Fund shall be established for deposit insurance purposes with this Law.

3.2. Fund's insurance reserves shall be formed from sources defined in Article 11 hereof.

3.3. The Fund shall be a non-profit legal entity and own its property and assets. It shall have a seal with its name embossed thereupon, as well as accounts with the *Central Bank* and other banks as defined herein. The Fund's primary goal shall not be to generate profit and all income to be generated from its operations will be used to replenish insurance reserves.

3.4. *The state ~~the financial markets supervisory authority~~ and the Central Bank shall not be responsible for Fund's liabilities and the Fund shall not be responsible for liabilities of the state, ~~the financial markets supervisory authority~~ and the Central Bank.*

3.5. The Fund shall operate in compliance with the Constitution of the Republic of Azerbaijan, this Law, other laws of the Republic of Azerbaijan and Fund's regulations. Fund's regulations shall be adopted by the competent management body defined herein and shall be binding for all member banks.

Provisions of the insurance legislation shall not apply to Fund's operations and shall not require a special permit (license).

3.6. All banks and local branches of foreign banks licensed to take individual deposits shall be mandatory members of the Fund. Deposits with foreign branches of member banks located outside the Republic of Azerbaijan shall not be insured by the Fund and shall not be eligible for compensation.

3.7. If the deposit insurance scheme of a foreign bank's home country covers its branch office(s) operating in the Republic of Azerbaijan, the Fund shall not insure the deposits with the local branch of the foreign bank, provided that the deposit insurance scheme of that country shall

not be less favorable than the one defined hereunder. Otherwise, deposits with the local branch of the foreign bank shall be subject to additional insurance in accordance herewith.

3.8. The Fund shall enjoy tax benefits as defined in the Tax Code of the Republic of Azerbaijan with respect to its income and member banks shall enjoy such benefits with respect to insurance fees payable to the Fund.

3.9. The Fund shall be located in the city of Baku.

Article 4. Functions of the Fund

4.1. The Fund shall:

4.1.1. develop a registry of and issue certificates to member banks.

4.1.2. collect and keep record of insurance fees.

4.1.3. manage and dispose of its assets.

4.1.4. keep track of depositor claims and pay compensations, in case of an insurance event.

4.1.5. receive from member banks information and reports necessary for Fund's operations, as defined herein (including deposit policies).

4.1.6. adopt Fund's regulations, in compliance herewith.

4.1.7. borrow funds from financial markets, the *Central Bank*, or the Government of Azerbaijan if short of money to finance its liabilities.

4.1.8. when compensating a claim, recourse amount from the relevant member bank.

4.1.9. request member banks to pay insurance fee arrears and fines calculated thereupon and inform the *Central Bank* thereof.

4.1.10. discharge other functions necessary to ensure operations of the deposit insurance scheme.

Article 5. Management bodies of the Fund

The Fund shall be managed by the supreme management body, the Trustee Board, and the executive body, the Executive Director.

Article 6. The Trustee Board of the Fund

6.1. The Fund's Trustee Board shall consist of seven members.

6.2. The Trustee Board shall include ~~one representative of the financial markets supervisory authority~~, two representatives of the Central Bank, three representatives from relevant executive authorities and two representatives of member banking community as recommended by member banks.

6.3. Members representing member banks shall be selected by a simple majority vote at a meeting convened by the *Central Bank* with the presence of over half of member banks. Member banks shall be notified of such a meeting in writing 15 days in advance.

6.4. Substitute members shall be identified to replace the Trustee Board member in accordance with Articles 6.2 and 6.3 above. Such substitute members shall replace original members of the Trustee Board in meetings whenever the latter are unable to attend.

6.5. Persons with higher economic or legal education and at least two-year financial and banking experience who do not have any track record of conviction for crimes against property, economic crimes, crimes against interests of service as well as grave and especially grave crimes shall be eligible to become members of the Trustee Board.

6.6. Members of the Trustee Board shall have a term of office of five years and may be re-appointed for another term.

6.7. A chairperson shall lead the Trustee Board. The chairperson and deputy chairperson of the Trustee Board shall be appointed from among members of the Trustee Board at the presentation of the *Central Bank*. The deputy chairperson shall act as the Board Chairperson whenever the latter is unavailable.

6.8. Members of the Trustee Board shall not be remunerated for their role in the management of the Fund.

6.9. Term of office of a member of the Trustee Board may be terminated if:

6.9.1. a letter of resignation is filed.

6.9.2. the term of office expires.

6.9.3. the member is recalled.

6.9.4. a relevant effective court order exists.

6.9.5. the member is dismissed from the institution that nominated him/her.

6.9.6. the bank that this member represents is expelled from the Fund.

6.10. If the term of office of the Trustee Board member is terminated prematurely, the term of office of the substitute member shall expire upon the completion of the term of office of the substituted member.

Article 7. Meetings of the Trustee Board

7.1. The Trustee Board shall hold scheduled and extraordinary meetings. Scheduled meetings shall be held not less than once a quarter, while extraordinary meetings may be convened upon request of the board chairperson, at least two members of the board, *the executive director, or the Central Bank*. Members of the Trustee Board shall receive a written notice of a meeting at least 3 days in advance.

7.2. Extraordinary Board meetings shall be convened if:

7.2.1. a written notice from the *Central Bank* is received that reports an insurance event at a member bank.

7.2.2. a written notice from the *Central Bank* is received that reports possibility of an insurance event at one or several banks.

7.2.3. borrowing is needed.

7.2.4. the state in which Fund's resources are invested officially declares its inability to honor its liabilities.

7.2.5. other emergencies occur.

7.3. The Trustee Board meeting shall be deemed competent with 5 members present.

7.4. Decisions of the Trustee Board shall be made by a simple majority vote of members present at the meeting. In case of a tie, the board chairperson shall cast the final vote, and none may abstain in this case.

7.5. Experts may be invited to meetings of the Trustee Board as advisory voters.

7.6. Decisions of the Trustee Board shall be documented with meeting minutes to be signed by the meeting chair and secretary.

Article 8. Authorities of the Trustee Board

8.1. The Fund's Trustee Board shall:

8.1.1. approve the organizational structure *in coordination with the relevant executive authority*.

8.1.2. approve the annual budget and changes thereto *in coordination with the relevant executive authority*.

8.1.3. approve forms and amounts of the Fund staff remuneration *in coordination with the relevant executive authority*.

8.1.4. approve regulations *in coordination with the relevant executive authority*.

8.1.5. decide whether to pay *compensations* and extend the period of payment of compensation in accordance herewith *in coordination with the relevant executive authority*.

8.1.6. identify media outlets where information on Fund's operations, as well as payment of compensations is announced and published.

8.1.7. decide whether to borrow.

8.1.8. decide on supplementary fees payable by *member banks in coordination with the relevant executive authority*.

8.1.9. approve amount and payment procedures for insurance fees payable by local branches of foreign banks in accordance with Article 3.7 hereof *in coordination with the relevant executive authority*.

8.1.10. determine the ways, areas, and procedures of investing Fund's resources *in coordination with the relevant executive authority*.

8.1.11. approve performance reporting procedures.

8.1.12. determine operating principles of the Internal Audit Service.

8.1.13. appoint the external auditor and approve audit findings *in coordination with the relevant executive authority*.

8.1.14. hear and approve the report of the executive director.

8.1.15. review complaints related to performance of the executive director and staff.

8.1.16. decide on issuance of long-term debt securities of the Fund *in coordination with the relevant executive authority*.

8.1.17. review the *Central Bank's* proposal to appoint a temporary officer or a liquidator at a member bank and, if accepted, nominate persons to represent the Fund.

8.1.18. select an agent bank to pay *compensations in coordination with the relevant executive authority*.

8.1.19. recommend improvements for the deposit insurance scheme.

8.1.20. ~~set the cap of the annual interest rate for protected deposits in coordination with the financial markets supervisory authority and the Central Bank;~~

8.1.21. handle other issues within the scope of competence of the Fund and its Trustee Board as defined herein.

8.2. The Trustee Board may also address issues related to Fund's operations outside the scope of competence of the Fund's executive director.

8.3. The Trustee Board may not delegate authorities set out in the first paragraph hereof to the Fund's executive director.

Article 9. The Executive Director of the Fund

9.1. The executive director and his/her deputy (ies) shall be appointed and dismissed by the *relevant executive authority*. The executive director and his/her deputy (ies) shall have a term of office of five years and may be re-appointed for another term.

9.2. Citizens of the Republic of Azerbaijan with a higher economic or legal education and at least five-year relevant professional experience and no track record of conviction for crimes against property, economic crimes, *corruption crimes and other crimes against service interest*, as well as grave and especially grave crimes shall be eligible to become the Fund's executive director.

Article 10. Authorities of the Executive Director

10.1. The executive director shall:

10.1.1. ensure implementation of decisions by the Trustee Board and manage Fund's daily activities.

10.1.2. represent the Fund in dealings with other persons, both domestically and abroad, without a power of attorney.

10.1.3. draft and submit for the Trustee Board's approval the Fund's budget.

10.1.4. ensure that scheduled and extraordinary Trustee Board meetings are convened.

10.1.5. appoint and dismiss staff members and apply incentive and enforcement measures with respect to staff.

10.1.6. develop and submit to the Trustee Board proposals on management of Fund's insurance reserves.

10.1.7. develop and submit to the Trustee Board quarterly and annual performance reports.

10.1.8. propose to the Trustee Board external auditing and auditors for the Fund.

10.1.9. draft and submit to the Trustee Board a decision on expelling a bank from the Fund based on the *Central Bank's* written notice.

10.1.10. inform the Trustee Board of any shortage or possible shortage of funds to pay compensations.

10.1.11. draft and submit for Trustee Board's approval Fund's regulations.

10.1.12. draft and submit for Trustee Board's approval forms and submission procedures for reports presented by member banks to the Fund.

10.1.13. inform the *Central Bank* on member banks that breached this law, Fund's regulations, or decisions of the Trustee Board.

10.1.14. participate in meetings of the Trustee Board as an advisory voter.

10.1.15. exercise other powers delegated to him/her by the decision of the Trustee Board

10.2. Authorities of the executive director may be terminated if:

10.2.1. he/she files a letter of resignation.

10.2.2. a relevant effective court order exists.

10.2.3. the term of office expires.

10.2.4. other cases as defined by existing laws.

Article 11. Insurance reserves of the Fund

11.1. The Fund's insurance reserves shall be formed from the following sources:

11.1.1. membership fees paid by member banks.

11.1.2. calendar fees paid by member banks.

11.1.3. supplementary fees paid by member banks.

11.1.4. proceeds from long-term debt liabilities issued by the Fund.

11.1.5. fines paid by member banks.

11.1.6. proceeds from management of Fund's resources, less current costs.

11.1.7. grant money, donations and funds from other sources not prohibited by law.

11.1.8. funds borrowed to cover the shortfall of compensation money.

11.1.9. funds borrowed from a bank or a local branch of a foreign bank with recourse.

Article 12. Membership fees of member banks

12.1. Member banks shall, within 10 calendar days from being recorded in the Fund's registry, transfer a lump-sum membership fee of 10 (ten) thousand manats to the Fund's account with the *Central Bank*.

12.2. Where member banks that have paid the membership fee are reorganized through merger or acquisition, or the right to take individual deposits is reinstated by the *Central Bank*, they shall acquire the rights and duties of member banks as defined herein without having to pay the membership fee.

Article 13. **Calendar fees of member banks**

13.1. Banks shall pay calendar fees from the date of record in the Fund's registry of member banks through the date of revocation of their banking license.

13.2. If the *Central Bank* suspends the member bank's right to attract deposits, the bank shall pay calendar fees to the Fund up until all liabilities on protected deposits are performed in full.

13.3. The first reporting period for calculating calendar fees shall commence on the first and end on the last day of the quarter in which the bank is recorded in the Fund's registry of member banks.

13.4. Calendar fees shall be payable at the rate of 0.15 per cent of a quarterly average daily balance of protected deposits in the first year and at 0.125 per cent in subsequent years, starting from the day of record in the Fund's registry of member banks.

13.5. Calendar fees shall be transferred to Fund's accounts with the *Central Bank* within 10 calendar days from the end of each quarter.

13.6. Calendar fees shall be paid in the currency of deposits. If deposits are not in the USD or the EUR, calendar fees shall be calculated and paid in one of these currencies based on cross exchange rates set based on *Central Bank's* official exchange rates for relevant currencies.

13.7. If Fund's insurance reserves reach 5 per cent of protected deposits, the Trustee Board may decide to reduce or suspend the calendar fees paid by member banks.

Article 14. **Supplementary fees of member banks**

14.1. If the Fund borrows money to pay compensations *in the cases specified in this Law*, member banks shall pay supplementary fees in addition to calendar fees until the Fund fully performs its liabilities. Supplementary fees shall be paid depending on amount and repayment terms of Fund's borrowings but not to exceed *0.1 per cent* of the quarterly average daily balance of protected deposits.

14.2. The Trustee Board shall approve procedures for calculating and paying supplementary fees.

14.3. If the *Central Bank* suspends the member bank's right to take deposits, the bank shall pay supplementary fees to the Fund until it meets its liabilities due to depositors in full.

Article 15. **Enforcement of insurance fee payment**

15.1. Any member bank that fails to pay insurance fees on time or in full shall pay a fine (penalty) to the Fund.

15.2. Fines shall be calculated in the amount of *0.5 percent of insurance fees* paid by the member bank in the previous reporting period for each delayed day of insurance fee payment.

15.3. If insurance fees and fines are not paid within 30 days, fines shall cease to be calculated and the Fund shall take actions necessary to withhold such funds from member bank's correspondent accounts in accordance with the legislation.

Article 16. **Use of insurance reserves of the Fund**

16.1. The Fund's insurance reserves may be used to:

16.1.1. pay compensations.

16.1.2. manage the Fund and acquire property, within the scope of annual budget.

16.1.3. pay debt liabilities.

Article 17. **Borrowing**

17.1. When Fund's liquid (cashable) assets fall below one percent of protected deposits for the previous reporting period or there is a probability that funds will be insufficient to pay compensations, the Trustee Board shall decide to borrow funds.

17.2. If the Fund applies to the Central Bank to borrow funds, the latter may issue a government-backed loan to the Fund. The Central Bank shall, no later than the working day after the day of receipt of such an appeal, inform in writing the relevant executive authority on receiving such an appeal. The relevant executive authority shall decide on granting a government guarantee no later than 10 working days. According to the decision on granting the government guarantee, the Central Bank shall grant a loan to the Fund under conditions agreed with the relevant executive authority no later than 10 working days.

Article 18. **Management of insurance reserves of the Fund**

18.1. To allocate (diversify) risks, as well as ensure security, sufficient liquidity of and reasonable return on assets, the Fund shall invest its available resources only in the following financial instruments:

18.1.1. government securities

18.1.2. securities issued by central banks

18.1.3. deposits with central banks and other highly rated banks, as well as other highly rated financial instruments

Article 19. Accounting and reporting of the Fund

19.1. The Fund shall maintain its accounting in accordance with the legislation.

19.2. The Fund's reporting year shall last from January 1 through December 31 (including) of a calendar year.

19.3. The annual report shall be drawn up by 1 March of the following year and be reviewed and approved by the Trustee Board within one month.

19.4. The Fund shall present its annual report and audit opinion to the *authority (institution) designated by the relevant executive authority, the Central Bank* and organizations represented in the Trustee Board.

19.5. *The annual report shall include:*

19.5.1. *annual financial statements*

19.5.2. *the registry of member banks*

19.5.1. annual accounting balance

19.5.2. income statement.

19.5.3. the cash flow statement.

19.5.4. the registry of member banks.

19.6. Authenticity of annual *financial statements* shall be approved by the external auditor.

Article 20. Control over activities of the Fund

20.1. The Trustee Board shall exercise overall control over Fund's operations.

20.2. Fund's annual financial operations shall be reviewed by a Trustee Board-appointed external auditor. If necessary, the Trustee Board may decide to conduct an extraordinary audit.

20.3. Internal audit of the Fund shall be conducted by the Internal Audit Service accountable to the Trustee Board. Internal Audit staff shall be appointed upon recommendation of the Fund's Trustee Board.

Article 21. Interactions of the Fund with ~~the financial markets supervisory authority~~, the Central Bank and public authorities

21.1. When discharging its functions, the Fund shall:

21.1.1. report the amount of protected deposits in each member bank to the ~~financial markets supervisory authority and the Central Bank~~.

21.1.2. inform ~~the financial markets supervisory authority and the Central Bank~~ of any known failures by member banks to comply with this Law, Fund's regulations and directives of the Trustee Board, as well as perform deposit-related liabilities in compliance with conditions of the legislation or agreements.

21.2. The Fund shall, upon the request of public authorities represented in the Trustee Board, ~~the financial markets supervisory authority and the Central Bank~~, furnish them with information on its operations that they may request.

21.3. If one or several member banks are likely to experience an insurance event the *Central Bank* shall so inform the Fund.

21.4. No later than the working day following the date upon which any of the below listed decisions is made in relation to a bank or banks, the *Central Bank* shall inform the Fund on ~~the following~~:

21.4.1. issuance of a banking license.

21.4.2. reorganization of the bank.

21.4.3. appointment of a temporary officer to the member bank.

21.4.4. suspension of the member bank's right to take individual deposits.

21.4.5. imposing moratorium on payments on liabilities of the member bank.

21.4.6. failure of the member bank under forced liquidation or announced bankrupt to perform its statutory or contractual deposit-related liabilities.

21.5. When discharging supervisory functions, the *Central Bank* shall examine the status of calculation of insurance fees paid to the Fund and summary accounting of depositors; and if it finds out that any member bank failed to perform its liabilities due to the Fund as defined hereunder, it shall instruct the faulty bank to remove such an incompliance and pay improperly calculated insurance fees and inform the Fund accordingly.

21.6. Penalties defined in the Code of Administrative Penalties of the Republic of Azerbaijan shall be imposed against officers of member banks that failed to remove deficiencies and transfer the short amount of insurance fees to Fund's accounts within the timeframe set by the *Central Bank*. If such breaches are repeated within 1 year *the Central Bank* shall suspend the member bank's right to take individual deposits.

Article 22. **Interactions between the Fund and member banks**

22.1. When discharging its functions, the Fund shall:

22.1.1. receive from member banks summary reports on deposits as defined by Fund's regulations.

22.1.2. whenever a liability to pay compensations originates, require member banks to present documents that ascertain protected deposits.

22.1.3. inform the concerned bank of payment of compensations.

22.2. A member bank shall:

22.2.1. comply with the requirements set forth by the Fund when exercising its authorities granted to it hereunder.

22.2.2. submit summary reports on deposits in the form and manner as required by the Fund

22.2.3. immediately notify the Fund on any conditions that render the bank incapable of performing statutory or contractual obligations with respect to individual deposits.

22.2.4. maintain consolidated records of liabilities to each depositor at the bank, as well as its branches and divisions, as prescribed by the Fund's Trustee Board, and, in case of an insurance event, approve and submit to the Fund information on each depositor within no later than 3 business days.

22.3. The Fund shall deregister the member bank and terminate its certificate if:

22.3.1. the banking license is revoked.

22.3.2. the *Central Bank* suspends the bank's right to take individual deposits and the bank has fully performed its liabilities due to its depositors.

22.4. If a bank is removed from the Fund, the Fund shall publicize such removal in *media* and notify the bank in question and ~~the financial markets supervisory authority and~~ the *Central Bank* in writing no later than in 2 business days.

22.5. If a bank is expelled from the Fund, it shall not be entitled to receive back insurance fees it previously paid to the Fund.

22.6. Member banks shall calculate insurance fees independently.

22.7. Any excess insurance fees and fines paid by member banks to the Fund shall be carried over to the next reporting period or returned to member banks within three business days, as may be agreed with the banks in question.

Article 23. **Liability of the Fund**

23.1. The Fund shall be liable with all its property for liabilities defined hereunder.

23.2. Executive officers and staff members of the Fund shall keep confidential any operational and transactional information on member banks, as well as any other information that they may come in possession of through their professional activity both during employment with the Fund and after termination thereof. Executive officers and staff members of the Fund shall be held liable in accordance with existing laws of the Republic of Azerbaijan for illegal disclosure of such information.

23.3. The Fund and its staff members shall be liable in accordance with existing laws for failure to perform functions and authorities assigned to them hereunder.

Article 24. **Liquidation of the Fund**

The Fund shall be liquidated under a special law, which defines procedures for liquidation and uses of its property.

Chapter III

Relations of depositors with the Fund and member banks. Payment of compensation

Article 25. **Rights of depositors**

25.1. Depositors shall be entitled to:

25.1.1. request, in writing or verbally, and obtain from the bank written information on conditions and rules of the Fund membership, deposit insurance and payment of compensation.

25.1.2. request, in writing or verbally, and obtain from the Fund written responses on whether the bank in question is a member of the Fund, conditions of deposit insurance, compensation conditions and procedures.

25.1.3. inform the Fund on member bank's failure to perform its statutory or contractual liabilities on deposits.

25.1.4. receive compensation for deposits in accordance with this Law.

25.2. A protected depositor may claim from the bank the difference between compensation received from the Fund and his/her deposit, in accordance with existing laws.

Article 26. **Compensations**

26.1. *The Fund shall compensate insured deposits at each member bank to the 100 per cent of the deposit but not to exceed 100 (one hundred) thousand manats. Compensation for funds in bank accounts*

opened by individuals in connection with entrepreneurial activity shall not exceed 20 (twenty) thousand manats, and compensation for funds owned by individuals in deposit accounts of notaries shall be paid in the amount of 100 percent of those funds.

26.2. If the depositor has a matured liability to the member bank on the day of the insurance event, compensation for the deposit, including accrued interest, shall be paid on balance after deducting protected deposit amount from the unexecuted liability of the depositor due to the bank.

Article 27. Payment of compensations

27.1. National currency-denominated deposits shall be compensated in the national currency and foreign currency denominated deposits in the deposit currency. If deposits are not USD or EUR-denominated, compensation shall be calculated and paid in one of these currencies based on cross exchange rates set based on the *Central Bank's* official exchange rates for relevant currencies.

27.2. Interest on deposits shall be paid in the amount accrued by the date of the insurance event, provided that the compensation does not exceed the amount outlined in Article 26.1 hereof.

27.3. If a depositor holds several deposits with a bank, including local branches and divisions of the bank, or holds deposits in both national and foreign currencies, such deposits shall be summed up and compensated as a single deposit in the manat.

27.4. If an insurance event occurs at several member banks where a depositor holds deposits, compensation shall be paid individually for deposits with each bank.

27.5 Deposits in a joint deposit account with a bank shall be treated as a single deposit and compensation shall be paid to deposit account holders in equal portions or proportions as may be agreed among them, but not to exceed the amount outlined in Article 26.1 hereof.

27.6. If a joint deposit account holder has another deposit with the same bank, his/her share of the joint deposit and the other deposit shall be summed up and treated as a single deposit for compensation purposes.

27.7. If a parent or an adopter has the statutory right of disposal of a deposit account in the name of a child under 18 years of age, the compensation shall be paid to them. If the parent or adopted has a deposit with the same bank, separate compensation shall be paid on that deposit.

27.8. If a custodian or a guardian has the statutory right or a third person has the contractual right to dispose of the deposit, such a person shall be entitled to get compensation. If the custodian or the guardian has a deposit with the same bank, separate compensation shall be paid on that deposit.

27.9. Each deposit of a depositor with a bank reorganized as a result of a merger or an acquisition of member banks shall be treated as a separate deposit and eligible for separate compensation until the expiry of the deposit agreement.

27.10. Deposits not matured on the date of first publication of the compensation announcement shall be deemed matured.

27.11. The Fund shall refuse to pay compensation or demand return any amounts paid to persons who have filed erroneous or false information in order to obtain compensation or illegitimate claims for compensation. If the person fails to fulfill such a demand the Fund shall take actions in accordance with the legislation.

27.12. To pay compensations, the Fund shall, on its own behalf and at its own expense, enter into agent agreements with banks.

27.13. No compensation shall be paid on deposits received after the member bank's banking license is revoked or the right to take individual deposits is suspended by the *Central Bank*.

Article 28. Compensation requests

28.1. The Fund shall, within 7 calendar days from the receipt of an insurance event notice from the *Central Bank*, announce in *media* and publish a notification on the place and time for compensation payment. The Fund shall make that announcement and publish the notification two more times at a week interval.

28.2. Depositors shall appeal to the Fund for compensation in writing. The application shall be attached with the deposit agreement, the deposit book or other documents ascertaining the deposit in accordance with existing laws and copies thereof, as well as the depositor's ID card. If a depositor's assignee applies for compensation, he/she must also furnish the Fund with a notarized power of attorney.

The Fund's Trustee Board shall determine procedures for reviewing and authorizing payment of documents submitted.

28.2-1. In case of possibility to obtain documents required on appeals for compensations through the Electronic Government Information System from the relevant public authority (institution), those documents shall not be required from the applicant. On the cases of impossibility to obtain such documents through the Electronic Government Information System, their submission shall be required from the relevant public authority (institution) upon request at the consent of the applicant or required from the applicant.

28.3. The Fund shall accept depositor applications within one year from the date the payment of compensations was first announced.

28.4. When documents are made available that ascertain existence of conditions that rendered the depositor incapable of filing an application, the period specified in Article 28.3 above may be extended upon the depositor's request. Notwithstanding the foregoing, the depositor shall at any rate retain the entitlement to compensation during five years from the date the Fund first announced the payment of compensation.

28.5. The Fund shall pay compensation no later than 30 calendar days from the date the depositor application was received. In exceptional cases, the Fund may prolong the period for compensation payment up to 90 calendar days if the Trustee Board so decides.

Chapter IV

Final provisions

Article 29. Admission to the Fund

29.1. *Banks with banking licenses and entitled to take individual deposits*, as well as local branches of foreign banks, except as otherwise provided in Article 3.7 hereof, shall be admitted to the Fund based on the *Central Bank's* official information on the working day following the day of receipt of such information.

29.2. Banks that obtained licenses and entitled to take individual deposits after the effective date of this Law, as well as local branches of foreign banks, except as otherwise provided in Article 3.7 hereof, shall be admitted to the Fund based on *Central Bank's* official information in accordance with Article 29.1 hereof.

29.3. Banks and local branches of foreign banks shall acquire a member bank status when recorded in the Fund's registry and issued a certificate.

Article 30. Public information

30.1. The Fund shall advertise the registry of member banks in the 1st month of each calendar year and announce any changes to the registry in *media* no later than the working day following the day such changes were made and publish a relevant notice no later than 3 working days.

30.2. When the *Central Bank* suspends the member bank's right to take individual deposits, it shall publicize such suspension in *media* no later than the working day following the day such a decision was made and publish a relevant notice no later than three working days.

30.3. A member bank shall:

30.3.1. incorporate conditions of payment of insurance fees and compensations on the deposit received and information on *media* outlets in which announcements are made and notices

are published in relation to Fund's operations in bank deposit or bank account agreements. These details should be stated in a form understandable for the individual.

30.3.2. place information in the location the depositors are served in writing on conditions for being a member of the Fund, insurance of deposits and payment of compensations.

30.3.3. provide depositors, at their written or verbal requests, with information on its membership with the insurance scheme, protected deposits and compensations.

30.4. When publishing its audited annual report in *media*, the bank shall inform on its membership with the Fund.

Article 31. **Dispute resolution**

31.1. Depositors may apply to the Fund's Trustee Board and/or court to settle any disputes arising in connection with payment of compensations.

31.2. The Fund's Trustee Board should address any disputes arising between the Fund and member banks. Any party unsatisfied with results of such a settlement may appeal to court in accordance with the legislation.

Article 32. **Effect of the Law**

This Law shall take effect upon the publication date. Articles 13, 14 and Chapter III hereof shall apply 6 months after the effective date hereof.

Ilham ALIYEV,

President of the Republic of Azerbaijan

Baku city, 29 December 2006

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