The Law of the Republic of Azerbaijan
on Deposit Insurance

(with amendments of 8 May 2009, 30 June 2009,
19 January 2016 and 4 March 2016)

This Law defines the principles of creation and operation of a collective
mandatory insurance system for deposits of individuals with the banks operating
in the Republic of Azerbaijan as well as the deposit compensation procedures.

Chapter I. General provisions

Article 1. The goal of creating deposit insurance system

The goal of establishing the deposit insurance system is to prevent the risk of loss of
the money deposited by individuals and ensure stability and development of the
financial and banking system whenever banks and local branch offices of foreign banks
become insolvent.

Article 2. Main definitions

2.1. The terms used herein shall have the following meanings:
2.1.1. deposit — funds accepted by a bank in the national and foreign currencies that
are returnable, along with the interest accrued, under the applicable laws or contract;
2.1.2. protected deposit — the deposit compensated by the Deposit Insurance Fund
(hereinafter referred to as the Fund) to the depositor when an insurance event occurs.
The following deposits are not protected:

2.1.2.1. funds attracted through placement of bearer debt securities (bearer
certificates of deposit);
2.1.2.2. deposits attracted by bank’s offices outside the Republic of Azerbaijan;
2.1.2.3. deposits, as defined by the applicable laws, with respect to
suspicious transactions related to legalization of criminally obtained funds or
other property and the financing of terrorism;
2.1.2.4. deposits originated as a result of a committed crime, as confirmed by an
effective court order;
2.1.2.5. seized deposits;
2.1.2.6. deposits received at an annual interest rate exceeding the limit defined pursuant
to Article 8.1.20 herein as of the date of attraction;
2.1.2.7. money in bank accounts opened by individuals for entrepreneurship;
2.1.2.8. individuals’ money managed by a bank on a trust basis;
2.1.2.9. deposit equal to the principal amount and interest on the depositor’s debt to the
bank whether matured or not;
2.1.2.10. deposits securing obligations to the bank.
2.1.3. Insured deposit — a portion of a protected depositor’s protected deposit,
compensated by the Fund.

2.1.4. Depositor—an individual who has a deposit with a bank, as well as a person entitled, by a law or a contract, 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 immediate family (spouses, their parents and children, including adopted children, brothers and sisters);

2.1.5.2. persons who hold 10 per cent or more of the bank’s voting shares and their immediate family (spouses, their parents and children, including adopted children, brothers and sisters);

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

2.1.5-1. Financial markets supervisory authority—a body launched by a relevant executive body to regulate and supervise financial markets.

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—the financial markets supervisory authority approves the member bank’s forced liquidation or bankruptcy or effect of a court judgment prohibiting performance of deposit liabilities under the law and the bank’s failure to perform its statutory or contractual obligations before depositors.

2.1.10. Day of insurance event—the date, stated in the notice dispatched by the financial markets supervisory authority to the Fund hereunder, as the day of occurrence of an insurance event.

2.1.11. Compensation—funds paid to a protected depositor in case of an insurance event.

**Chapter II. The Deposit Insurance Fund**

**Article 3. The legal status of the Deposit Insurance Fund**

3.1. The Deposit Insurance Fund is established by this Law for deposit insurance purposes.

3.2. The Fund’s insurance reserves shall be formed from sources defined in Article 11 herein.

3.3. The Fund is a non-profit legal entity and owns its property. It shall have a seal with its name embossed thereupon as well as accounts with the Central Bank of the Republic of Azerbaijan (hereinafter—the Central Bank) and other banks as defined herein. The Fund’s primary goal is not to generate profit; all income that its operations will generate shall be used to replenish insurance reserves.

3.4. The state, financial markets supervisory authority and the Central Bank shall not be responsible for the Fund’s liabilities and the Fund shall not be responsible for the
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 the Fund’s regulations. The Fund’s regulations shall be enacted by the authorized management body defined herein and is binding for all member banks.

The provisions of the insurance legislation shall not apply to the Fund; the Fund’s operations 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 not be eligible for compensation.

3.7. If a 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 is not 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 the member banks shall enjoy such benefits with respect to the 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. maintain 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 information and reports necessary for the Fund’s operations from member banks, as defined herein (including deposit policies);
4.1.6. pass the Fund’s regulations, in compliance herewith;
4.1.7. borrow funds from financial markets, the Central Bank or the government of Azerbaijan in case of the short of money to finance its obligations;
4.1.8. when compensating a claim, recourse the amount from the relevant member bank;
4.1.9. require member banks to pay insurance fee arrears and fines assessed thereupon and inform the financial markets supervisory authority thereof;
4.1.10. discharge any other functions necessary to sustain 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 two representatives from the financial markets supervisory authority, one representative from the Central Bank, two representatives from relevant executive authorities and two representatives of the 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 financial markets supervisory authority with the presence of over a half of the member banks through a secret ballot. Member banks shall be notified of such a convention 15 days in advance.

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

6.5. Persons who have higher economic or legal education with at least two years of financial and banking experience and 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 are 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. The Trustee Board shall be led by a chairperson. The chairperson and deputy chairperson of the Trustee Board shall be appointed from among the members of the Trustee Board at the financial markets supervisory authority’s petition. 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 has been filed;

6.9.2. the term of office expires;

6.9.3. the member is revoked;

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. he/she is expelled from the position with the bank that this member represents.

6.10. If the term of office of the Trustee Board member is terminated before expiry, the term of office of the replacement member shall expire upon the completion of the term of office of the replaced 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 at the request of the board chairperson, at least two members of the board,
the executive director or the financial markets supervisory authority. 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 held if:
7.2.1. a written notice from the financial markets supervisory authority is received that reports an insurance event at a member bank;
7.2.2. a written notice from the financial markets supervisory authority is received that reports the possibility of an insurance event at one or several banks;
7.2.3. borrowing is needed;
7.2.4. the state in which the Fund’s resources are invested officially declares default;
7.2.5. other emergencies occur.
7.3. A meeting of the Fund’s Trustee Board shall be deemed plenipotentiary with five members present.

7.4. Decisions of the Fund’s Trustee Board shall be adopted by a simple majority vote of the members present in 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 participate in meetings of the Fund’s Trustee Board as advisory voters.

7.6. Protocols of resolutions of the Fund’s Trustee Board shall be drawn up and 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 Fund’s organizational structure;
8.1.2. approve the Fund’s annual budget and amendments thereto;
8.1.3. approve the forms and amounts of the Fund’s personnel remuneration;
8.1.4. approve the Fund’s regulations;
8.1.5. decide whether to pay compensations, as well as whether to extend the period of payment of compensation in accordance herewith;
8.1.6. identify mass media outlets to announce and publish information on the Fund’s operations, as well as payment of compensations;
8.1.7. decide whether to borrow;
8.1.8. have the decision-making authority with respect to payment of supplementary fees payable by member banks;
8.1.9. approve the amount and payment procedures for insurance fees payable by the local branches of foreign banks in accordance with Article 3.7 herein;
8.1.10. determine the ways, areas and procedures of investing the Fund’s resources;
8.1.11. approve the Fund’s performance reporting procedures;
8.1.12. define operating principles of the Fund’s Internal Audit function;
8.1.13. appoint the Fund’s external auditor and approve audit findings;
8.1.14. hear and approve the report of the Fund’s executive director;
8.1.15. review complaints related to performance of the Fund’s executive director and personnel;
8.1.16. decide whether to issue long-term debt securities of the Fund;
8.1.17. review the financial markets supervisory authority’s proposal to appoint an
administrator or liquidator at a member bank and, if accepted, nominate persons to represent the Fund;
8.1.18. select an agent bank to pay compensations;
8.1.19. recommend improvements for the deposit insurance scheme;
8.1.20. set a ceiling of an annual interest rate for the protected deposits upon 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 address the issues related to the Fund’s operations that are outside the scope of competence of the Fund’s executive director.
8.3. The Trustee Board may not delegate the authorities set out in Para 1 of this Article herein to the Fund’s executive director.

Article 9. Executive Director of the Fund

9.1. The Fund’s executive director and his/her deputy (deputies) shall be appointed and dismissed by the Trustee Board. The executive director and his/her deputy (deputies) shall have a term of office of five years and may be re-appointed for another term.
9.2. A citizen of the Republic of Azerbaijan, who has a higher economic or legal education with at least five years of relevant professional experience and no track for crimes against property, economic crimes, against service interests as well as grave and especially grave crimes is eligible to become the Fund’s executive director.

Article 10. Authorities of the Executive Director

10.1. The Fund’s executive director shall:
10.1.1. ensure implementation of resolutions issued by the Fund’s Trustee Board and manage the Fund’s everyday 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 the Fund’s budget to the Trustee Board’s approval;
10.1.4. make sure that scheduled and extraordinary meetings of the Fund’s Trustee Board are convened;
10.1.5. appoint and dismiss the Fund’s staff members and apply incentive and enforcement measures with respect to the Fund’s personnel;
10.1.6. develop and submit recommendations to the Trustee Board with respect to management of the Fund’s insurance reserves;
10.1.7. develop and submit quarterly and annual performance reports to the Trustee Board;
10.1.8. recommend to the Trustee Board external auditing and auditors for the Fund;
10.1.9. draft and submit to the Trustee Board recommendations to expel a bank from the Fund based on the financial markets supervisory authority’s written notice;
10.1.10. inform the Trustee Board of any shortfall or possible shortfall of funds to pay compensations;
10.1.11. draft and submit for the Trustee Board approval the Fund’s regulations;
10.1.12. draft and submit for the Trustee Board’s approval the forms and submission procedures of reports presented by member banks to the Fund;
10.1.13. inform the financial markets supervisory authority on member banks that breached this law, Fund’s regulations or resolutions issued by the Fund’s Trustee Board;
10.1.14. participate in the meetings of the Fund’s Trustee Board as an advisory voter;
10.1.15. discharge other authorities assigned to him/her by the Fund’s Trustee Board.
10.2. Term of office of the executive director may be terminated if any of the following applies:
10.2.1. he/she filed a letter of resignation;
10.2.2. a relevant effective court order exists;
10.2.3. the term of office expired;
10.2.4. other cases as defined by the 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 obligations issued by the Fund;
11.1.5. fines paid by member banks;
11.1.6. proceeds from management of the Fund’s resources, less current costs;
11.1.7. grant money, donations and funds from other sources not prohibited by the 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 a 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 one-time membership fee of AZN 10 (ten) thousand to the Fund’s account with the Central Bank.

12.2. Member banks that are reorganized through merger or consolidation or that have the right to take individual deposits reinstated by the financial markets supervisory authority 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 financial markets supervisory authority suspends a member bank’s right to take deposits, the bank shall pay calendar fees to the Fund up until all of its liabilities with respect to protected deposits are performed in full.

13.3. The first reporting period for assessing 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 the quarterly average daily balance of protected deposits in the first year and at 0.125 per cent in the subsequent years, starting from the day of record in the Fund’s registry of member banks.

13.5. Calendar fees shall be transferred to the 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 USD or Euro, calendar fees shall be calculated and paid in one of these currencies based on cross exchange rates set on the basis of the Central Bank’s official exchange rates for relevant currencies.

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

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

14.1. If the Fund borrows money in the cases specified herein, member banks shall pay supplementary fees in addition to calendar fees until the Fund fully performs its obligations. Supplementary fees shall be calculated and paid depending on the amount and repayment terms of the 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 the procedures for calculating and paying supplementary fees.

14.3. If the financial markets supervisory authority suspends a member bank’s right to take deposits, the bank shall pay supplementary fees to the Fund until its obligations before depositors are performed in full.

**Article 15. Enforcement of insurance fees**

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 estimated at the amount of 0.5 per cent of insurance fees paid by a member bank at the previous reporting period for each day of delay of insurance fees.

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

**Article 16. Use of insurance reserves of the Fund**
16.1. The Fund’s insurance reserves may be used for the following purposes:
16.1.1. pay compensations;
16.1.2. manage the Fund and acquire property, within the scope of the annual budget;
16.1.3. pay debt obligations.

Article 17. Borrowing

17.1. If the Fund’s liquid (cashable) assets fall below 1 per cent of protected deposits as of the recent reporting period, or in case of likelihood of shortfall of funds to pay compensations, the Trustee Board may take a decision to borrow required resources.
17.2. If the Fund applies to the Central Bank to borrow funds, it may issue a government backed loan to the Fund. The Central Bank shall notify in writing the relevant executive authority on receiving such an appeal no later than the business day following the day such an appeal is received. The relevant executive authority shall take a decision on issue of a government guarantee no later than 10 business days. The Central Bank shall grant a loan to the Fund under terms and conditions coordinated with the relevant executive authority no later than 10 business days in line with the decision on issue of the government guarantee.

Article 18. Management of insurance reserves of the Fund

18.1. To distribute (diversify) risks, as well as ensure security, sufficient liquidity of, and reasonable return on assets, the Fund shall invest its available resources only in:
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 accounts and records in accordance with the existing laws.
19.2. The Fund’s reporting year shall last from January 1 through December 31 of a calendar year.
19.3. The Fund’s annual report shall be drawn up by March 1 of the following year and reviewed and approved by the Trustee Board within one month.
19.4. The Fund shall present its annual report and audit report to President of the Republic of Azerbaijan, the financial markets supervisory authority and institutions represented in the Trustee Board.
19.5. The annual report shall include:
19.5.1. Fund’s annual accounting balance;
19.5.2. Fund’s income statement;
19.5.3. Fund’s cash flow statement;
19.5.4. registry of member banks.
19.6. The authenticity and accuracy of the Fund’s annual balance sheet, cash flow
statement and statement of income (losses) from management of the Fund’s assets shall be verified and ascertained by an external auditor.

**Article 20. Oversight over the Fund**

20.1. The Fund’s Trustee Board shall be responsible for overall oversight of Fund’s operations.

20.2. Fund’s annual financial operations shall be examined by an external auditor assigned by the Trustee Board. If necessary, the Trustee Board may appoint an extraordinary external audit.

20.3. The Internal Audit Function, accountable to the Trustee Board, shall be responsible for internal audit of the Fund. The Internal Audit staff shall be appointed upon petition 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 on any known failures by member banks to comply with this Law, the Fund’s regulations and by-laws of the Trustee Board, as well as perform deposit-related obligations in compliance with the law or contract.

21.2. The Fund shall, upon a 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 financial markets supervisory authority shall inform the Fund accordingly.

21.4. No later than the business day following the date upon which any of the below listed decisions is made in relation to a bank(s), the financial markets supervisory authority shall inform the Fund on the following:

   21.4.1. issue of a banking license;

   21.4.2. reorganization of a bank;

   21.4.3. appointment of a temporary administrator to a member bank;

   21.4.4. suspension of a member bank’s right to take individual deposits;

   21.4.5. moratorium on a member bank’s payment of liabilities;

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

21.5. As the supervisor of member banks, the financial markets supervisory authority shall review their procedures and status of assessment of insurance fees paid to the Fund and consolidated accounting of depositors. If financial markets supervisory authority identifies that any member bank failed to perform its liabilities before the Fund as defined hereunder, it shall instruct the faulty bank to remove such identified incompliance and pay improperly assessed insurance fees, and inform the Fund.
21.6. Penalties defined in the Code of Administrative Penalties of the Republic of Azerbaijan shall be applied against administrators of member banks that fail to eliminate shortfalls and transfer deficient amount of insurance fees to the Fund’s accounts within the timeframe set by the financial markets supervisory authority. If such breaches are repeated within 1 year the financial markets supervisory authority shall suspend the member bank’s right to take individual deposits.

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

22.1. When discharging its functions the Fund shall:
22.1.1. receive summary reports on deposits from member banks as defined by the Fund’s regulations;
22.1.2. whenever an obligation 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 discharging its authorities granted to it hereunder;
22.2.2. submit summary reports on deposits in the format and manner as required by the Fund;
22.2.3. immediately notify the Fund of 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 obligations to each depositor at the bank as well as its branch offices 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 3 business days.
22.3. The Fund shall remove a member bank from the registry and terminate its certificate if:
22.3.1. the banking license is revoked;
22.3.2. the financial markets supervisory authority suspended the bank’s right to take individual deposits and the bank has fully performed its liabilities before its depositors.
22.4. If a bank is expelled from the Fund, the Fund shall publicize such expulsion in mass media and notify the bank in question, 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 the insurance fees it had previously paid to the Fund.
22.6. Insurance fees shall be assessed independently by member banks.
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 the member banks within 3 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 about member banks as well as any other
data and 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
the 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 the 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 the
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 have the following rights:
25.1.1. inquire, in writing or verbally, and obtain from the bank written information on
the terms and conditions of the Fund membership, deposit insurance and payment of
compensation;
25.1.2. inquire, in writing or verbally, and obtain from the Fund written responses
on whether the bank in question is a member of the Fund, terms and conditions of
deposit insurance, compensation conditions and procedures;
25.1.3. inform the Fund of a member bank’s failure to perform its statutory or
contractual obligations on deposits;
25.1.4. receive compensation for deposits in accordance with this Law.
25.2. A protected depositor may claim from the bank in question the difference
between the compensation received from the Fund and his/her original deposit, in
accordance with the 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 balance but not to exceed AZN 30 (thirty) thousand.
26.2. If a depositor has a matured liability before the member bank as of the day of the
insurance event, compensation on the deposit shall be paid on the balance amount upon
subtracting the outstanding liability of the depositor before the bank, including interest
from the amount of protected deposit.

Article 27. Payment of compensation

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

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 branch offices and divisions of the bank, or holds deposits in both national and foreign currencies, such deposits shall be summed up and treated as a single deposit for purposes of compensation.

27.4. If an insurance event takes place 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 the compensation shall be paid to the 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 herein.

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 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 that parent or adopter. If the parent or adopter has a deposit with the same bank, a separate compensation shall be paid on that deposit.

27.8. If a custodian or 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 receive the compensation. If the custodian or guardian has a deposit with the same bank, a separate compensation shall be paid on that deposit.

27.9. Each deposit of a depositor with a bank established as a result of a merger or consolidation 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 the first publication of the compensation announcement shall be deemed matured.

27.11. The Fund shall refuse to pay compensation or request the return of 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 request the Fund shall take appropriate measures in accordance with the existing laws.

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

27.13. No compensation shall be payable on deposits received after the member bank’s banking license is revoked or the right to take individual deposits is suspended by the financial markets supervisory authority.

**Article 28. Compensation appeals**

28.1. The Fund shall, within 7 calendar days from the receipt of an insurance event
notice from the financial markets supervisory authority, announce in mass media and publish a notification of the place and time of payment of compensations. The Fund shall announce and publish the notification two more times at a week interval.

28.2. Depositors shall apply to the Fund for compensation in writing. The application shall be accompanied with the deposit agreement, deposit book or other documents ascertaining the deposit in accordance with the existing laws and copies thereof as well as the depositor’s identification 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 be responsible for determining the procedures for reviewing and authorizing payment of documents submitted.

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 within five years from the date the Fund first announced the payment of compensation.

28.5. The Fund shall pay compensation within 90 calendar days from the date the depositor’s application is received. In exceptional cases, the Fund may prolong the period of payment of compensations for up to 90 calendar days, if so decided by the Trustee Board.

Chapter IV. Final provisions

Article 29. Admission to the Fund

29.1. Banks, licensed to take individual deposits, as well as local branches of foreign banks, except as otherwise provided in Article 3.7 herein, which shall be admitted to the Fund based on the financial markets supervisory authority’s official presentation on the business day following the day of receipt of such presentation.

29.2. Banks as well as local branch offices of foreign banks, except as otherwise provided in Article 3.7 hereof, licensed and authorized to take individual deposits after the effective date hereof, shall be admitted to the Fund based on the Central Bank’s official presentation in accordance with Article 29.1 above.

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

Article 30. Public outreach

30.1. The Fund shall advertise in mass media the registry of member banks in the first month of each calendar year, and announce any changes in the registry in mass media no later than the business day following the day such changes are made, and publish a relevant notification no later than 3 business days.

30.2. When the financial markets supervisory authority suspends the member bank’s right to take individual deposits, it shall publicize such suspension in mass media no later than the business day following the day such a decision is made and publish a relevant
notification no later than 3 business days.

30.3. A member bank shall:
30.3.1. incorporate terms and conditions of payment of insurance fees and compensations on the deposit received and information on mass media outlets in which announcements are made and notifications are published in relation to the Fund’s operations in the bank deposit or bank account agreement. These details must be stated in a format understandable for an individual;
30.3.2. install in the places, where depositors are served within its premises, information on membership with the Fund and terms and conditions of deposit insurance 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 publicizing its audited annual report the bank shall indicate its membership with the Fund.

Article 31. Settlement of disputes

31.1. Depositors may apply to the Fund’s Trustee Board and/or the court to settle any disputes arising in connection with payment of compensations.
31.2. The Fund’s Trustee Board must review any disputes arising between the Fund and member banks. Any party unsatisfied with the results of such a settlement may appeal to the court in accordance with the existing laws.

Article 32. Entry of the Law into effect

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

President of the Republic of Azerbaijan

Ilham ALIYEV

Baku, December 29, 2006

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