

THE REPUBLIC OF ARMENIA

LAW

ON ATTRACTION OF BANK DEPOSITS

Adopted June 17, 2008

The purpose of this law is to establish unified procedures and conditions for attraction of deposits by banks and protection of consumer rights through these procedures.

Article 1. The Subject of Regulation of the Law

1. This law shall regulate framework of information disclosed during the attraction of deposits by banks, procedure and conditions of provision of that information, advertisement of deposit agreements and calculation of interest rate on deposits, as well as other legal relations protecting rights and legitimate interests of depositors.

Article 2. Main Concepts Used in the Law

1. The following main concepts are used in this law:

- 1) **bank deposit** (hereafter referred as deposit) - bank deposit or monetary funds available on bank account
- 2) **deposit agreement** - agreement defined by this law, which is signed with the view to attracting a deposit;
- 3) **depositor** - a citizen who signed the deposit agreement;
- 4) **bank** - bank, or branch of a foreign bank, which received the banking activity license of the Republic of Armenia Central Bank (hereafter referred as the Central Bank);
- 5) **tariffs** - depositor's payments against activities on servicing the deposit, or other payments reducing the annual yield on percentage, except the fines;
- 6) **Annual Percentage Yield or APY** - interest, which a person will receive against a 1,000 dram deposit in 365 day, based on application of annual simple percentage rate, percentage compounding and payment frequency. The Central Bank, by its statutory acts may establish procedure for calculation of the Annual Percentage Yield;
- 7) **Annual Rate of Simple Interest** - the amount of interest rate calculated on annual basis, which shall be paid against each transaction on interest compounding;
- 8) **penalty (penalty, fine)** - compensation paid to bank, or reduction of the Annual Percentage Yield, or establishment of any other unfavorable consequence for depositor, in case of a depositor's failure to fulfill his obligations, or their improper fulfillment;
- 9) **Financial System Mediator** - a person provided by the Republic of Armenia law "On Financial Mediator."

Article 3. Information Subject to Public Disclosure

1. Any advertisement, announcement, proposal, offer or invitation to make an offer carried out in the Republic of Armenia, or placed in Internet, which includes a reference on the amount of interest rate, or any other payment or cost relating to deposit, shall mandatory include, at least in Armenian (except newspapers printed in foreign languages and special editions), the following clear information without any misleading, ambiguous or confusing formulations:

- 1) the amount of annual percentage yield, calculated in manner prescribed by the Central Bank of Armenia;
- 2) period of validity of the deposit agreement, during which the depositor shall receive the promised annual percentage yield;
- 3) the minimum required account balance and period, or time restrictions for ensuring Annual Percentage Yield;
- 4) the minimum required initial amount of deposit for ensuring Annual Percentage Yield, if that amount exceeds the minimum required account balance for ensuring Annual Percentage Yield;
- 5) if the bank establishes tariffs, or other conditions reducing Annual Percentage Yield for a specific type of account - an announcement thereto that Annual Percentage Yield may suffer from the established tariffs or conditions;
- 6) if the bank envisages or imposes any penalty on a specific type of account - an announcement thereto about cases of applying such penalty;
- 7) announcement on taxes on interest rate.

2. If any advertisement, announcement, proposal, offer or invitation to make an offer carried out in the Republic of Armenia, or placed in Internet on attraction of deposits, signing of deposit agreements or opening accounts mentions that compensation of deposits is insured by the Deposit Insurance Fund, it shall be written in Armenian and contain clear information, without any misleading, ambiguous or confusing formulations, on the amounts of deposits guaranteed pursuant to the Republic of Armenia law "On Guaranteeing Compensation of Bank Deposits." Use of other languages parallel to Armenian is not prohibited.

3. Information defined under clauses 3, 4, 5, 6 of part 1, hereof, shall not be subject to mandatory public disclosure, in case of its advertisement, announcement, proposal, offer, or invitation for offer by television transmission, or external advertisement boards. Advertisement defined hereof shall include a reference about the place where a person can learn about terms of the advertised deposit.

4. The Central Bank may by its normative legal acts prescribe mandatory texts or model forms, or the minimum requirements for certain types of information defined under part 1, hereof.

Article 4. Information Bulletins

1. A bank shall approve and issue information bulletins on each type of the proposed deposit agreement the Annual Percentage Yield, penalties and terms and conditions of deposit attraction. Information bulletins on different types of deposit agreements may be consolidated into a single unified informational bulletin, provided that single unified information bulletin includes information prescribed by this law for each type of deposit agreement.

2. Each approved and publicly disclosed information bulletin shall include at least the following clear information without any misleading, ambiguous or confusing formulations:

- 1) information about tariffs and sanctions, in particular:
 - a. description, amounts (or method of their calculation), cases of application, and terms and conditions of tariffs and penalties due from deposit amounts, or payable by depositor;

- b. where tariffs or fines shall be levied against failure to keep the minimum account balance - the minimum account balance amount or the method of its calculation;
- 2) information about interest rates, in particular:
 - a. amount of Annual Percentage Yield, calculated in manner prescribed by the Central Bank;
 - b. term of validity of deposit agreement, during which depositor shall receive the promised Annual Percentage Rate;
 - c. annual rate of simple interest;
 - d. interest compounding and frequency of payment;
 - e. method of calculation of the amount of the account balance, on which interest shall be paid;
 - f. amount of the account balance, which shall be kept in order to receive the promised interest, or other income, as well as method of calculation of the account balance;
 - g. requirements on time period, which shall be maintained in order to receive the promised interest, or other income;
 - h. where applicable, notification that accrued but still not paid interest shall not be paid, in case of early deposit withdrawal by depositor;
 - i. statement that the bank has the right to revise interest rate on demand deposits and cash kept on the banking account, unless otherwise provided by the agreement;
 - j. an example of calculation of interest payable under concrete type of deposit agreement;
 - 3) procedure, conditions and limitations on settlement of disputes arising on deposit agreement, as well as information on protection of the depositor rights;
 - 4) other information not included in this Article, but subject to public disclosure under Article 3, hereof;
 - 5) other information prescribed by the Central Bank normative legal acts.
3. Information bulletins shall be prepared in Armenian. Use of other languages parallel to Armenian is not prohibited.
4. With the view to ensuring proper fulfillment of the provisions hereof, the Central Bank, through its normative legal acts, may establish a mandatory form, text or reference types of information bulletins and the minimum requirements on them.

Article 5. Provision and Public Disclosure of Information Bulletins

1. Bank shall place and maintain information bulletins on its official web site, as well as provide them on a fee free basis to:
 - 1) any person who is in the premises of bank, at his first demand;
 - 2) depositor - prior to signing the deposit agreement and/or opening the account;
 - 3) the depositor with whom bank has signed a term deposit agreement for a 30 days exceeding period, whereas the agreement is subject to extension without notification of bank by the depositor. In such case, bank shall provide depositor with information bulletin, or send it to him by mail, eleven days before expiration of deposit agreement.
2. In case defined under clause 3, Article 1 hereof, bank shall not be obliged to provide information bulletin, if the conditions of the extended deposit agreement remain unchanged.
3. For deposit agreements signed through mechanical and other types of copying facsimile equipment, electronic digital signature, or other similar types of signature, the Central Bank may by its normative legal acts establish

the minimum requirements on provision of bank's information bulletin to the depositor.

Article 6. Account Statements

1. Unless otherwise provided in part 2 hereof, a bank shall provide to depositor, with at least 30 day frequency, statement on each deposit kept in the bank with the following clear information, without any misleading, ambiguous or confusing formulations:

- 1) debited or credited amounts and account balance on a daily basis;
- 2) amount of earned Annual Percentage Yield;
- 3) amount of received interest;
- 4) levied tariffs and penalties
- 5) number of days in the reviewed period.

2. Bank shall not be obliged to provide banking statement to depositor if during the period under review the account was not debited, or credited.

3. At depositor's request, banks shall provide within five days a statement on the banking account, at tariffs announced by bank.

4. Annual percentage yield, earned annual percentage yield and annual percentage rate shall be rounded by at least to one hundredth of percent (0.1%).

5. Statements defined hereof, shall be provided in writing, through mail service, except when depositor renounces his right of receiving the account statement through mail service, requesting provision of the statement through electronic or other communication services, or in the premises of bank. Any provision limiting the right of consumer to receiving the account statement through electronic or other communication services, or in the premises of bank shall be invalid. At that, bank may not force depositor, including through creation of unfavorable situation for depositor, to renounce his right of receiving the account statement through mail service.

6. If the account statement is provided in the bank premises, the bank shall maintain the unclaimed information in a hard copy form, or on an electronic data carrier for at least three years.

7. The Central Bank may establish by its statutory acts reference forms and the minimum requirements for the account statements defined under part 1, hereof.

Article 7. Calculation of Percentage

1. Bank shall calculate percentage on the total amount available on the account, for the total period of deposit agreement, on a daily basis. Percentage rate for each day shall be calculated by not less than 1/365 ratio of the fixed rate (for leap years 1/366 ratio shall be used).

Article 8. Limitation on Use of Words "Free of Charge"

1. Bank may not use the words "Free of Charge" in any advertisement, announcement, proposal, offer or invitation to make an offer on attraction of deposits, signing of deposit agreements or opening accounts, if:

- 1) with the view to not paying tariffs, or fines at any time period, it is necessary to:
 - a. ensure the minimum account balance established for the respective time period; and/or
 - b. stay within the ceiling on account transactions established for the respective time period; and/or
 - c. ensure the minimum number of transactions established for the respective time period;

2) bank collects or will collect a fee for servicing the account.

Article 9. Communication between Bank and Depositor

1. Any communication between bank and depositor, in respect of the terms and conditions of deposit agreement, or norms of communication between the parties, or rights and obligations of the parties, or establishment, change, or suspension of liability, or relates to laws, statutory norms, or bank's internal acts affecting deposit agreement, shall be made in writing, through mail service, except in cases indicated under part 2, hereof. Moreover, information indicated hereof shall be considered mandatory provided information.

2. By filing an application, including through electronic service, depositor may renounce his right of receiving information established under parts 1, hereof, through mail service, requesting mandatory provided information through electronic or other communication services, or in the premises of bank. Any provision limiting the right of depositor to receiving mandatorily provided information in electronic form or by other communication services, or in the premises of bank shall be invalid. Bank may not force depositor, including through creation of unfavorable situation for depositor, to renounce his right for receiving mandatory information through post service.

3. If mandatory information is provided in the premises of bank, bank shall maintain the unclaimed information in a hard copy form, or by electronic data carrier at least for three years.

4. Where a bank officer answers depositors inquiry on percentage paid on deposit in oral, bank officer shall indicate annual percentage yield and annual rate of simple interest.

5. In case of establishment, revision or suspension of terms and conditions of the deposit agreement, or rights and liabilities of parties, or sanctions thereof, or revision of bank's internal acts affecting the deposit agreement, which results in change of annual percentage yield, bank shall notify depositor about new conditions, in manner prescribed by this law, at least 15 days before the change of annual percentage yield.

6. Pursuant to the purpose of protecting depositor rights, the Central Bank may establish by its statutory acts procedure, terms, forms and the minimum requirements for communication prescribed hereof.

Article 10. Protection of Depositor Rights through Court, Arbitrage and by Financial System Mediator

1. Depositor rights established by this law and other statutory acts shall be subject to protection through court, and in cases prescribed by law, through arbitrage, as well as by Financial System Mediator.

2. Where bank and depositor sign an arbitrage agreement in terms of deposit agreement, bank shall disclose sufficient information to depositor about the rights and obligations of parties.

3. Pursuant to the purpose of protecting depositor rights, the Central Bank may by its statutory norms establish the minimum requirements and/or reference form for provision of information prescribed under part 2, hereof.

4. Bank may not precondition signing of a credit agreement to signing of an arbitrage agreement.

Article 11. Bank's Liability

1. Where bank violates provisions of this law and other statutory norms established pursuant to it, the Central Bank may impose fine:

- 1) one hundred thousand drams - where during 365 days prior to the violation, the bank didn't infringe the established requirements;
- 2) two hundred thousand drams - where during 365 days prior to the violation, bank infringed one of the established requirements;
- 3) five hundred thousand drams - where during 365 days prior to the violation, bank infringed the established requirements at least twice.

2. In cases defined under clauses 2 and 3, Article 1, hereof, the Central Bank may impose on bank the fine in the maximum amount of the fine imposed on bank during the preceding 365 days pursuant to this law, notwithstanding that the amount of the fine exceeds the maximum fine prescribed under clauses 2 and 3, Article 1, hereof.

3. Where bank disagrees with imposition of fine, or its size, the fine shall be levied through a court procedure, based on the claim of the Central Bank. The fine shall be allotted to the State budget as budget revenue.

4. Where bank commits several violations of each provision of this law and statutory acts, established for the purposes of implementing this law, each violation shall be considered as a separate law infraction case.

The Central Bank shall impose the sanctions established by this law in accordance with procedure established by the Republic of Armenia law "On the Republic of Armenia Central Bank."

Article 12. Bank's Liability Towards Depositor

1. Where the fact of violating rights of depositor enjoying bank's services has been confirmed, the bank shall pay to depositor three hundred thousand drams within 30 days.

2. Part 1 of this Article may not be deemed as limiting or annulling the right of depositor to claim compensation of damages.

Article 13. Control over Fulfillment of Provisions of this Law

1. The Central Bank shall be responsible for the control over fulfillment of provisions of this law.

Article 14. Transitional Provisions

1. This law shall enter into force after six months from the day of official promulgation.

2. Provisions of this law shall not apply to deposit agreements signed before its entering into force, unless at least one of significant provisions of the deposit agreement signed has been revised, or if the period of validity of deposit agreement has been extended. In case of a revision of at least one of provisions of deposit agreement, or extending the period of validity of deposit agreement before entering into force of this law, the whole deposit agreement shall be brought into compliance with provisions of this law.

President of the Republic of Armenia

SERGE SARGSYAN

12 July, 2008, Yerevan

AL-124-N