

THE LAW
OF THE REPUBLIC OF ABKHAZIA

“On the insurance of individuals’ deposits in the banks of the Republic of Abkhazia”

This Law establishes the legal, financial and organisational foundations for the functioning of the system of compulsory insurance of the individuals’ deposits in the banks of the Republic of Abkhazia (hereinafter – the deposit insurance system), competence, procedure for payment of compensation for deposits, and regulates the relations between the banks of the Republic of Abkhazia, the National Bank of the Republic of Abkhazia (Bank of Abkhazia) and the executive authorities of the Republic of Abkhazia in the sphere of relations on compulsory deposit insurance of individuals in banks.

Chapter 1. General Provisions

Article 1. The objectives of this Law and the relations regulated by it

1. The objective of this Law is the protection of rights and legal interests of the depositors in the banks of the Republic of Abkhazia, the strengthening of trust in the banking system of the Republic of Abkhazia and the attraction of the population’s savings into the banking system of the Republic of Abkhazia.
2. This Law regulates relations on the creation and functioning of the deposit insurance system, the formation and use of its monetary fund, the payment of compensation for deposits in the event of insured events, and also relations arising as a result of state supervision of the functioning of the deposit insurance system, and also other relations arising in this sphere.
3. This Law does not apply to other ways of insurance of the individuals’ deposits to ensure their return and the payment of interest on them.
4. In accordance with the objectives of this Law, the features of the legal status of participants of the deposit insurance system are established, as well as the essential conditions for compulsory deposit insurance, an insured event, payment of insurance premiums and obtaining insurance compensation for compulsory deposit insurance.
5. The relations arising from the creation and functioning of the deposit insurance system are regulated by this Law, other laws, and in cases stipulated in this Law – by normative legal acts, adopted in accordance with this Law by the Cabinet of Ministers of the Republic of Abkhazia, and by normative acts of the Bank of Abkhazia.

Article 2. Basic concepts used in this Law

The following basic concepts are used in this Law:

- 1) **bank** – a credit institution which has a permission from the Bank of Abkhazia to attract the individuals’ monetary funds as deposits and to open and maintain the bank accounts of individuals. The permission is issued by the Bank of Abkhazia in the manner prescribed by the Law of the Republic of Abkhazia “On banks and banking activity”;

- 2) **deposit** – monetary funds in the official currency of the Republic of Abkhazia or in foreign currency placed by individuals or in their favour on the territory of the Republic of Abkhazia on the basis of a bank deposit agreement or a bank account agreement, including capitalised (accrued) interest on the deposit amount;
- 3) **register of banks** – a list of banks which is formed in accordance with this Law and which are registered in the deposit insurance system;
- 4) **depositor** – a citizen of the Republic of Abkhazia, foreign citizen or a stateless person who has concluded a bank deposit agreement or a bank account agreement with the bank, or any of the abovementioned persons in whose favour a deposit has been made;
- 5) **compensation for a deposit (deposits)** (hereinafter – **insurance compensation**) – the amount of money to be paid to the depositor in accordance with this Law in case of an insured event;
- 6) **permission by the Bank of Abkhazia** – a license issued by the Bank of Abkhazia for the bank to attract the individuals’ deposits and to open and maintain the individuals’ bank accounts in the manner established by the Law of the Republic of Abkhazia “On banks and banking activity”;
- 7) **deficit of the mandatory deposit insurance fund** – insufficiency of the mandatory deposit insurance fund for the payment of insurance compensation in accordance with the terms established by this Law;
- 8) **counterclaims** – the depositor’s monetary obligations to the bank under civil law transactions and (or) on other grounds provided by the legislation of the Republic of Abkhazia, under which the depositor is a debtor of the bank.

Article 3. Basic principles of the deposit insurance system

Basic principles of the deposit insurance system are as follows:

- 1) compulsory participation of banks in the deposit insurance system;
- 2) reducing the risks of adverse consequences for depositors in case of the banks’ failure to fulfill their obligations;
- 3) transparency of the deposit insurance system;
- 4) cumulative formation of the mandatory deposit insurance fund at the expense of regular insurance contributions from banks – participants in the deposit insurance system.

Article 4. Participants in the deposit insurance system

Participants in the deposit insurance system are as follows:

- 1) depositors who are recognised as beneficiaries for the purposes of this Law;
- 2) banks which are included in the register of banks in accordance with the established procedure and recognised as insurants;
- 3) the Bank of Abkhazia which is recognised for the purposes of this Law as an insurer while carrying out functions arising from this Law.

Article 5. Deposits which are insured in accordance with this Law

1. In accordance with this Law, deposits are to be insured in the manner, in the amount and on the conditions stipulated in Chapter 2 of this Law, with the exception of monetary funds indicated in part 2 of this Article.
2. In accordance with this Law, the following monetary funds are not subject to insurance:
 - 1) funds on the bank accounts (in the deposits) of the individuals who are engaged in entrepreneurial activity without forming a legal entity, if such accounts (deposits) have been opened to carry out the entrepreneurial activity stipulated by the legislation of the Republic of Abkhazia, and also funds on the accounts (in the deposits) of lawyers and other persons, if such accounts (deposits) have been opened to carry out the professional activity stipulated by the legislation of the Republic of Abkhazia;
 - 2) placed by individuals in bank deposits payable to bearer, including those certified by a savings certificate and (or) a savings book to bearer;
 - 3) submitted by individuals to banks for trust management;
 - 4) funds deposited in the bank branches of the Republic of Abkhazia which are located outside of the territory of the Republic of Abkhazia.
3. Deposit insurance is carried out by virtue of this Law and does not require an insurance contract to be concluded.

Article 6. Participation of banks in the deposit insurance system

1. Participation in the deposit insurance system in accordance with this Law is mandatory for all banks.
2. A bank is considered to be a participant in the deposit insurance system from the date of its registration to the date of its removal from the register of the deposit insurance system in accordance with Article 16 of this Law.
3. The banks shall:
 - 1) pay insurance premiums to the mandatory deposit insurance fund (hereinafter – insurance premiums);
 - 2) provide the depositors with information about their participation in the deposit insurance system and the procedure for receiving the compensation for deposits and the amount of the compensation;
 - 3) place the information about the deposit insurance system in those rooms of the bank which are accessible to the depositors and where the servicing of the depositors takes place;
 - 4) keep a record of the bank's obligations to the depositors and the counterclaims of the bank to the depositor, which would prove the bank's readiness to prepare in case of an insured event, and also on any day at the request of the Bank of Abkhazia (within seven calendar days since the abovementioned request reaches the bank), a register of the bank's obligations to the depositors in the manner and in the form established by the Bank of Abkhazia;
 - 5) fulfill other obligations, which are prescribed by this Law.

Chapter 2. The procedure and conditions for the payment of compensation for deposits

Article 7. The rights of the depositors

1. The depositors have a right to:
 - 1) receive compensation for deposits in the manner prescribed by this Law;
 - 2) inform the Bank of Abkhazia about the bank's delay in the fulfillment of its obligations on deposits;
 - 3) receive from the bank, in which they have made a deposit, and from the Bank of Abkhazia the information about the participation of the bank in the deposit insurance system and about the procedure for receiving insurance compensation and the amount of the compensation.
2. The depositor who has received insurance compensation placed in the bank retains the right to claim a sum from this bank in case of an insured event. The sum is defined as the difference between the amount of the depositor's claim and the amount of insurance compensation paid to him in this bank. The satisfaction of the depositor's right of claim to the bank is carried out in accordance with the civil legislation of the Republic of Abkhazia.
3. At the conclusion of the contract of a bank deposit (bank account agreement) in favour of a third party, the rights of the depositor provided for by this Law are acquired by an individual in whose favour such a bank deposit is made (a bank account is opened).

Article 8. An insured event

1. For the purposes of this Law, one of the following circumstances is to be considered an insured event:
 - 1) recall (cancellation) of a bank license of the Bank of Abkhazia to perform banking operations (hereinafter - the license of the Bank of Abkhazia) in accordance with the Law of the Republic of Abkhazia "On banks and banking activity";
 - 2) an introduction by the Bank of Abkhazia, in accordance with the legislation of the Republic of Abkhazia, of a moratorium on satisfying the claims of the bank's creditors.
2. An insured event is deemed to have occurred from the day of the recall (cancellation) of the license of the Bank of Abkhazia or from the day of the introduction of the moratorium on satisfying the claims of the bank's creditors.

Article 9. The emergence of the depositor's right to insurance compensation

1. The depositor's right to receive insurance compensation arises from the day of the occurrence of an insured event.
2. A person who has acquired from the depositor the right of claim for a deposit (deposits) after the occurrence of an insured event has no right to insurance compensation for this deposit (deposits), with the exception of an individual who has received the right of claim for a deposit on which the payment of insurance compensation to the depositor was not made (hereinafter – the heir). The heir is entitled to use the rights of the deceased depositor, established by this Law, from the moment of issue to the heir of

the corresponding certificate of the right to inheritance or another document which confirms his right to inheritance or the right to use the testator's money.

3. After the occurrence of the insured event, upon inheritance of the right of claim for the deposit (deposits) by a few heirs, each one of them receives the right to a part of the insurance compensation not paid to the depositor in the amount which is proportional to the amount of the right of claim acquired by him for the specified deposit (deposits). In this case, the payment to the heir of the insurance compensation for the abovementioned deposit (deposits) does not depend on the payment to the same heir of the insurance compensation for other deposits.

Article 10. The procedure for applying for insurance compensation

1. The depositor (his representative or heir (the heir's representative)) has the right apply to the Bank of Abkhazia with a demand to pay insurance compensation on deposits from the day of the occurrence of the insured event to the day of completion of the bankruptcy proceedings, and in the case of the introduction by the Bank of Abkhazia of a moratorium on satisfying the creditors' claims – until the moratorium expires.
2. In case the depositor (his heir) misses the deadline for the application for the insurance compensation referred to in clause 1 of this Article, the deadline may be restored after an application by the depositor (his heir) by decision of the Board of the Bank of Abkhazia, if one of the following conditions is fulfilled:
 - 1) an extraordinary and unavoidable circumstance (an irresistible force) prevented applying for the insurance compensation;
 - 2) the depositor (heir) did (does) military service or was (is) in the Armed Forces of the Republic of Abkhazia (other troops, military formations, bodies), transferred to martial law for the period of such service (martial law);
 - 3) the reason for missing the specified deadline is connected with a serious illness of the depositor (his heir), helpless state of the depositor (his heir), with the terms of acceptance by the heir of the depositor's inheritance and with other reasons connected with the depositor (his heir).
3. The decision by the Bank of Abkhazia not to restore the missed deadline for applying to receive insurance compensation can be appealed by the depositor (his heir) in court.
4. When applying to the Bank of Abkhazia to receive insurance compensation, the depositor (heir) submits:
 - 1) an application in the form specified by the Bank of Abkhazia;
 - 2) identity documents, and in case of an application by heir – documents proving his right to inheritance and the right to use the testator's money.
5. When applying to the Bank of Abkhazia with a request to receive insurance compensation, a representative of the depositor (heir), together with the documents indicated in parts 1 and 2 of clause 4 of this Article, also submits a notarised power of attorney document.

Article 11. The amount of insurance compensation

1. The amount of insurance compensation for each depositor is established based on the sum of obligations on bank deposits, in respect of which an insured event has occurred, to this investor. When calculating the amount of the bank's obligations to the depositor, only deposits insured in accordance with Article 5 of this Law are taken into account.
2. Insurance compensation in the bank in respect of which the insured event has occurred is paid to the depositor in the amount of 100 percent of the amount of deposits in the bank, but not more than 100,000 rubles.
3. If the depositor has several deposits in one bank, the total amount of whose obligations on these deposits to the depositor exceeds 100,000 rubles, the compensation is paid for each of the deposits in proportion to their size.
4. If the insured event occurred in relation to several banks in which the depositor has deposits, the amount of insurance compensation is calculated in respect of each bank separately.
5. The amount of insurance compensation is calculated on the basis of the size of the balance of funds on the deposit (deposits) of the depositor in the bank at the end of the day of the occurrence of the insured event.
6. In the event that the obligation of the bank to the depositor in respect of which the insured event has occurred is expressed in foreign currency, the amount of insurance compensation is calculated in the official currency of the Republic of Abkhazia at the rate established by the Bank of Abkhazia on the day of the occurrence of the insured event.
7. If the bank, in respect of which the insured event has occurred, acted in relation to the depositor also as a creditor, the amount of insurance compensation is determined on the basis of the difference between the amount of the bank's obligations to the depositor and the amount of counter claims of the bank to the depositor that arose before the day of the occurrence of the insured event.

Article 12. The procedure for payment of insurance compensation

1. Within seven days from the date of receipt from the bank, in respect of which the insured event occurred, of the register of the bank's obligations to depositors, the Bank of Abkhazia sends to this bank, as well as for publication in the press at the location of this bank, a message about the place, time, form and procedure for the acceptance of the depositors' applications for the payment of the insurance compensation. Within a month from the date of receipt from the bank of the register of the bank's obligations to depositors, the Bank of Abkhazia also sends a corresponding message to the depositors of the bank in respect of which the insured event occurred.
2. The information specified in clause 1 of this Article may be received by the depositor directly in the bank in respect of which the insured event occurred, as well as in the Bank of Abkhazia.
3. When a depositor (his representative) submits to the Bank of Abkhazia documents envisaged by clauses 4 and 5 of Article 10 of this Law, the Bank of Abkhazia presents to

- the depositor an extract from the register of the bank's obligations to depositors indicating the amount of insurance compensation.
4. The payment of the insurance compensation is made by the Bank of Abkhazia in accordance with the register of the bank's obligations to depositors created by the bank in respect of which the insured event has occurred, within three working days from the day the depositor submits to the Bank of Abkhazia the documents stipulated in clauses 4 and 5 of Article 10 of this Law, but not earlier than 14 days from the date of occurrence of the insured event.
 5. When paying insurance compensation, the Bank of Abkhazia submits to the depositor a certificate of the paid amounts and deposits on which compensation was paid, and sends a copy to the bank.
 6. If the Bank of Abkhazia fails to pay the agreed amount of insurance compensation by the deadline established in this Article, the Bank of Abkhazia shall pay to the depositor interest on the unpaid sum calculated in the amount of the refinancing rate established by the Bank of Abkhazia on the date of the actual repayment of the insurance compensation by the Bank of Abkhazia.
 7. In case of disagreement of the depositor with the amount of the insurance compensation to be paid, the Bank of Abkhazia invites the depositor to submit additional documents to the Bank of Abkhazia confirming the validity of his claims and sends them to the bank for consideration. The bank shall, within 10 calendar days from the date of receipt of the said documents, review them and, in case of validity of the depositor's claims, make appropriate changes to the register of the bank's obligations to the depositors, and it shall send a message to the Bank of Abkhazia on the results of considering the depositor's claims and on the changes made to the register of the bank's obligations to the depositors.
 8. After agreeing with the bank and the depositor on the issue of the amount of the bank's obligations on the basis of additionally submitted documents, the Bank of Abkhazia pays the depositor the amount of the insurance compensation in accordance with the established procedure.
 9. In case of restoration of the period for handling the claim for payment of the insurance compensation, in accordance with the procedure stipulated in clauses 2 and 3 of Article 10 of this Law, the depositor shall be entitled to receive insurance compensation in the amount corresponding to the amount of the bank's obligations to him specified in the register of the bank's obligations to the depositors.
 10. In case of disagreement with the amount of insurance compensation, the depositor, in accordance with the legislation of the Republic of Abkhazia, has the right to apply to the court for the establishment of the composition and size of the relevant claims, as well as for establishing the amount of the insurance compensation to be paid.
 11. The payment of insurance compensation can be made at the request of the depositor both in cash and by transferring funds to a bank account specified by the depositor.
 12. The acceptance of the depositors' applications for the payment of insurance compensation and other necessary documents, including those stipulated in clause 4 and 5 of Article 10 and in clause 7 of this Article, as well as the payment of insurance

compensation may be made by the Bank of Abkhazia through agent banks operating on its behalf and at its expense. The order of interaction of agent banks with the Bank of Abkhazia, including the standards for compensation of agent banks, is established by the Board of the Bank of Abkhazia. The order of competitive selection of agent banks is established by the Board of the Bank of Abkhazia.

13. The payment of insurance compensation is made in the official currency of the Republic of Abkhazia.

Article 13. The transfer of the depositor's right of claim after payment of the insurance compensation

1. The right of claim, in the amount of the sum paid, that the depositor had in the bank where the insured event occurred passes to the Bank of Abkhazia which has paid the insurance compensation.
2. In the course of bankruptcy (liquidation) of the bank in respect of which the insured event occurred, the claims transferred to the Bank of Abkhazia as a result of the payment of the insurance compensation are satisfied in the first stage of creditors.
3. After payment by the Bank of Abkhazia of the insurance compensation, the Bank of Abkhazia takes measures to recover from the bank the amounts of arrears to the Bank of Abkhazia, to which it has received the right in accordance with clauses 1 and 2 of this Article, in the manner established by the legislation of the Republic of Abkhazia. The amount of the collected debt is subject to crediting to the mandatory deposit insurance fund.
4. After the expiry of the moratorium on the satisfaction of the claims of the bank's creditors, established by the Bank of Abkhazia, the Bank of Abkhazia has the right to provide the bank whose depositors have been paid the insurance compensation, deferred payment or installment payments.
5. Postponement of repayment may be granted for up to six months with a one-time payment of the amount owed.
6. Installment repayment may be granted for up to a year with a gradual payment of the outstanding amount.
7. Interest is accrued on the amount of the debt, based on a rate equal to the half of the refinancing rate of the Bank of Abkhazia that was in effect during the period of deferment or the installment plan.

Chapter 3. Organisational basis of the deposit insurance system

Article 14. The purpose of the activity and the powers of the Bank of Abkhazia on deposit insurance

1. In accordance with this Law, the purpose of the Bank of Abkhazia is to ensure the functioning of the deposit insurance system.
2. When performing the functions of compulsory deposit insurance, the Bank of Abkhazia:
 - 1) keeps a register of banks;

- 2) collects insurance premiums and controls their receipt to the mandatory deposit insurance fund;
 - 3) carries out measures to take into account the requirements of depositors to the bank and to pay them insurance compensation;
 - 4) applies liability measures to banks if they violate the requirements of this Law. The measures are stipulated in the Law of the Republic of Abkhazia “On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)” and the normative acts of the Bank of Abkhazia;
 - 5) has the right to require banks to post information on the deposit insurance system and on the participation of the bank in the bank’s accessible depository premises where the depositors are served;
 - 6) defines the procedure for calculating insurance premiums in accordance with Article 23 of this Law;
 - 7) performs other functions that aim to achieve the goals of the Bank of Abkhazia in accordance with this Law.
3. The Bank of Abkhazia does not require a license to perform insurance activities for the compulsory deposit insurance on the basis of this Law.
 4. In accordance with the Law of the Republic of Abkhazia “On the banks and banking activity” and the legislation of the Republic of Abkhazia on the insolvency (bankruptcy) of credit institutions, the Bank of Abkhazia performs the functions of a bankruptcy trustee (liquidator) in the event of bankruptcy of credit institutions.
 5. The Bank of Abkhazia has the right to carry out operations for the sale of property (subject of pledge), which is a guarantee for the fulfillment of obligations of credit institutions – counterparties of the Bank of Abkhazia for loans.
 6. The functions of the Bank of Abkhazia on deposit insurance are carried out through a body created by it – the Deposit Insurance Committee.

Article 15. The powers of the Board of the Bank of Abkhazia on deposit insurance

The Board of the Bank of Abkhazia:

- 1) approves the Regulations of the Deposit Insurance Committee;
- 2) approves the proposals of the Deposit Insurance Committee on the projected amount of expenditures from the Republican budget to cover the deficit of the mandatory deposit insurance fund in the next year and sends them to the Cabinet of Ministers of the Republic of Abkhazia for their inclusion in the draft law of the Republic of Abkhazia on the State budget for the next year;
- 3) establishes the rate of insurance premiums;
- 4) decides on the existence of a deficit of the mandatory deposit insurance fund and sends proposals on the procedure for its coverage to the Cabinet of Ministers of the Republic of Abkhazia in case an insured event takes place;
- 5) decides on the transfer to the Republican budget, in accordance with the budget legislation of the Republic of Abkhazia, of the funds of the Republican budget which

have been received in accordance with this Law after the restoration of the financial stability of the mandatory deposit insurance fund;

- 6) approves the procedure for calculating insurance premiums;
- 7) exercises other powers stipulated in this Law, the Law of the Republic of Abkhazia “On the banks and banking activity” and the legislation of the Republic of Abkhazia on the insolvency (bankruptcy) of credit institutions.

Article 16. Registration and deregistration of the bank in the deposit insurance system. The register of banks

1. The registration of the bank in the deposit insurance system is carried out by the Bank of Abkhazia by including it in the register of banks.
2. The bank is deregistered by the Bank of Abkhazia from the deposit insurance system by removing it from the register of banks in the following cases:
 - 1) withdrawal (cancellation) of the license of the Bank of Abkhazia and completion of the procedure for payment of insurance compensation established by this Law;
 - 2) termination of the right to attract individuals’ deposits and to open and maintain the bank accounts of individuals in connection with the replacement or recognition, in the manner prescribed by the normative act of the Bank of Abkhazia, of the revoked license of the Bank of Abkhazia for attracting individuals’ funds and opening and maintaining of bank accounts of individuals and fulfillment by the bank of its obligations to depositors. Simultaneously with this decision, the bank is obligated to notify all depositors of its withdrawal from the deposit insurance system;
 - 3) termination of the bank’s activities in connection with its reorganisation (with the exception of reorganisation in the form of transformation).
3. Information about the bank’s inclusion in the register of banks and about the removal of the bank from the abovementioned register is to be published by the Bank of Abkhazia. The procedure for keeping the register of banks is established by the Bank of Abkhazia.
4. The Bank of Abkhazia sends to the bank the information about its inclusion in the register of banks and the bank’s removal from the abovementioned register, about the procedure for the settlement and payment of insurance premiums not later than the day following a corresponding decision by the Bank of Abkhazia. It also regularly provides the bank with other necessary information about the deposit insurance system.
5. No fee is charged for the registration and deregistration of the bank in the deposit insurance system.

Article 17. The reception by the Bank of Abkhazia of the banks’ reports and other information

On the issues of the banks’ participation in the deposit insurance system, the Bank of Abkhazia has the right to receive explanations from banks on the basis of a motivated request in writing, concerning the information on the banks’ payment of insurance premiums, on keeping records and forming a register of bank liabilities to depositors, on the obligations of the depositor to the bank, and on the fulfillment of other obligations by the bank as stipulated in this Law. These

explanations are sent by banks to the Bank of Abkhazia within 15 days from the date of receipt of the relevant request unless another submission deadline is specified.

Article 18. The order of interaction of the Bank of Abkhazia and the bank, in respect of which an insured event has occurred

1. The bank, in respect of which an insured event has occurred, within seven days since the occurrence of the insured event, presents to the Bank of Abkhazia the register of the bank's obligations to depositors confirming the attraction of funds for deposits that are subject to insurance in accordance with this Law.
2. After the day of the presentation of the register of the bank's obligations to depositors to the Bank of Abkhazia and until the day of the Arbitration Court's ruling on the completion of bankruptcy proceedings or on the completion of the forced liquidation of a credit institution, and if the Bank of Abkhazia introduces a moratorium on satisfying the claims of the bank's creditors – until the expiry of the said moratorium, the bank shall make changes to the register of the bank's obligations to depositors in the following cases:
 - 1) upon establishing the inconsistency between the information included in it and the information on the actual status of mutual obligations of the bank and the depositor as of the date of occurrence of the insured event, which are to be reflected in the register of the bank's obligations to the depositors;
 - 2) upon termination (full or partial) after the occurrence of the insured event of the obligations contained in the register of the bank's obligations to the depositors;
 - 3) upon making changes to the information about the depositor which should be reflected in the register of the bank's obligations to the depositors.
3. Changes made by the bank in the register of the bank's obligations to the depositors are sent to the Bank of Abkhazia on the day of making such changes in the order established by the Bank of Abkhazia and are taken into account when determining the amount of the insurance compensation.
4. The Bank of Abkhazia has the right to request and receive additional information from the bank in respect of which the insured event has occurred, including copies of documents, if the information provided by the designated bank in accordance with clauses 1 and 2 of this Article is insufficient to implement measures to pay the insurance compensation. The bank in respect of which the insured event has occurred is obliged to provide the Bank of Abkhazia with the requested information within three working days from the day of receiving the relevant request from the Bank of Abkhazia.
5. Every week, the Bank of Abkhazia informs the bank, in respect of which the insured event occurred, about the depositors of this bank who received insurance compensation, about the amounts paid by the Bank of Abkhazia and the deposits for which insurance compensation was paid.

Article 19. Official, commercial and bank secrecy

1. The Bank of Abkhazia has the right to receive information which constitutes official, commercial and bank secrecy of the bank, in respect of which an insured event has occurred, which is necessary for the performance of the functions specified in this Law.
2. At the request of the court, the Bank of Abkhazia shall provide information that has become known to it about the operations of the bank, in respect of which the insured event has occurred, on accounts and deposits, on its financial status, as well as other information that is a commercial and banking secret of the said bank.
3. In case of disclosure by the Bank of Abkhazia or its officials of information constituting official, commercial and bank secrecy, the Bank of Abkhazia shall, in accordance with the legislation of the Republic of Abkhazia, reimburse the losses caused to the person whose rights have been violated.

Chapter 4. The financial basis of the deposit insurance system

Article 20. The mandatory deposit insurance fund

1. The mandatory deposit insurance fund is a collection of money and other property that are formed and used in accordance with this Law.
2. The mandatory deposit insurance fund belongs to the Bank of Abkhazia under the right of ownership and is intended to finance the payment of insurance compensation in the manner and under the conditions established by this Law.
3. The mandatory deposit insurance fund is separated from other assets of the Bank of Abkhazia. A separate record is maintained on the mandatory deposit insurance fund.
4. The funds of the mandatory deposit insurance fund are accounted for by a specially opened account with the Bank of Abkhazia.
5. The mandatory deposit insurance fund cannot be levied on the obligations of the Republic of Abkhazia, administrative-territorial units, banks, other third parties. Penalties from the mandatory deposit insurance fund for the obligations of the Bank of Abkhazia that arose in connection with the failure of the Bank of Abkhazia to fulfill obligations to pay insurance compensation are affected only on the basis of a judicial act.

Article 21. Resources for the formation of the mandatory deposit insurance fund

The mandatory deposit insurance fund is formed by:

- 1) insurance premiums paid in accordance with this Law;
- 2) penalties for late and (or) incomplete payment of insurance premiums;
- 3) funds and other property that are received from the satisfaction of the Bank of Abkhazia's right of claim, acquired as a result of the payment of insurance compensation by the Bank of Abkhazia;
- 4) resources of the Republican budget in the cases provided for by this Law;
- 5) initial payment in accordance with Article 35 of this Law;

- 6) other income not prohibited by legislation of the Republic of Abkhazia.

Article 22. Insurance premiums

1. Insurance premiums are the same for all banks and are payable by the bank from the date of inclusion of the bank into the register of banks and up to the day of withdrawal (cancellation) of the license of the Bank of Abkhazia or until the day of exclusion of the bank from the register of banks in accordance with clauses 2 and 3 of clause 2 of Article 16 of this Law.
2. The first settlement period for payment of insurance premiums is the period from the date of the bank's inclusions into the register of banks until the closing date of the calendar quarter, inclusive, in which the bank was entered in the register of banks.
3. The introduction by the Bank of Abkhazia of a moratorium on meeting the claims of the bank's creditors suspends the bank's obligation to pay insurance premiums for the duration of the said moratorium. At the same time, the bank is obliged to pay insurance premiums for the billing period, during which the said moratorium was introduced, including the day preceding the introduction of this moratorium.

Article 23. The procedure for calculating and paying insurance premiums

1. The settlement period for the payment of insurance premiums is a calendar quarter of the year.
2. The calculation base for the calculation of insurance premiums (hereinafter referred to as the settlement base) is defined as the average chronological daily balance residue on accounts for the accounting of deposits during the settlement period, with the exception of cash in deposits that are not subject to insurance in accordance with this Law.
3. Daily balance residue of deposits in foreign currency is calculated in the official currency of the Republic of Abkhazia at the official rate set by the Bank of Abkhazia on a daily basis.
4. The rate of insurance premiums cannot exceed 0.15 percent of the settlement base for the last settlement period.
5. In cases stipulated by this Law, the rate of insurance premiums may be increased to 0.3 percent of the settlement base, but not more than for two settlement periods within 18 months.
6. The rate of insurance premiums cannot exceed 0.05 percent of the settlement base from the settlement period following a settlement period in which the sum of the funds in the mandatory deposit insurance fund exceeds 5 percent of the entire sum of deposits in banks.
7. The rate of insurance premiums is established by the Board of the Bank of Abkhazia. If the rate of insurance premiums has been changed, the new rate is introduced not earlier than 45 days after the corresponding decision has been made.
8. The decision on the establishment of the rate of insurance premiums is published not later than after five days since its adoption.

9. The procedure for calculating the settlement base is established by the Bank of Abkhazia. If the abovementioned procedure has been changed, the new procedure for calculating the settlement base is to be applied from the next settlement period. Moreover, the new procedure for calculating the settlement base is to be communicated to the banks not later than 30 days before the next settlement period.
10. The calculation of insurance premiums is carried out independently by banks.
11. The payment of insurance premiums takes place within 25 days from the end of the settlement period by transferring funds to the account of the mandatory deposit insurance fund in the Bank of Abkhazia.
12. The obligation to pay insurance premiums is considered executed by the bank from the moment of writing off the funds from the bank's correspondent account with the Bank of Abkhazia.
13. The amount of excessively paid insurance premiums (penalties) for the billing period is subject to offset against the payment of the bank's arrears of contributions (penalties) for other settlement periods or to account for future payments or refund in the event of termination of the bank's obligation to pay insurance premiums in accordance with Article 22 of this Law.
14. The payment of insurance premiums is made in the official currency of the Republic of Abkhazia.
15. The payment of insurance premiums is automatically suspended by banks from the settlement period following the billing period in which the amount of money in the mandatory deposit insurance fund exceeds 10 percent of the total amount of deposits in banks.
16. The payment of insurance premiums is automatically renewed by banks from the settlement period following the billing period in which the amount of money in the mandatory deposit insurance fund is less than 10 percent of the total amount of deposits in banks.

Article 24. The enforcement of the obligation to pay insurance premiums

1. For untimely or incomplete payment of insurance premiums, banks that have committed the abovementioned violation pay fines.
2. Penalties are the amount of money set by this Article, which the bank must pay in excess of insurance premiums in case the latter are paid later than in the terms established by this Law.
3. The Bank of Abkhazia has the right to require banks to transfer unpaid insurance premiums and accrued penalties.
4. Penalties are accrued for each calendar day of delay starting from the day following the established day of payment of insurance premiums.
5. Penalties for each calendar day of delay are set as a percentage of the unpaid amount of insurance premiums. The interest rate of penalties for one calendar day of delay corresponds to the refinancing rate of the Bank of Abkhazia that was in effect in the relevant period divided by 360 calendar days.

6. The collection of monetary sums for the unfulfilled obligations of banks to pay insurance premiums, as well as penalties, is carried out by the Bank of Abkhazia by writing-off of funds from the credit institution's correspondent account with the Bank of Abkhazia. The indicated sums of money are to be credited to the account of the Bank of Abkhazia for the funds of the mandatory deposit insurance fund.

Article 25. The use of funds of the mandatory deposit insurance fund

The funds of the mandatory deposit insurance fund are directed by the Bank of Abkhazia to the financing of the payment of insurance compensation and other expenditures related to the fulfilment of functions of mandatory deposit insurance, and other aims in accordance with this Law.

Article 26. The financing of expenditures of the Bank of Abkhazia

The expenditures of the Bank of Abkhazia for the activities related to the mandatory deposit insurance and other functions envisaged by the Law of the Republic of Abkhazia "On banks and banking activity" and the legislation of the Republic of Abkhazia on the insolvency (bankruptcy) of credit institutions are financed at the expense of the property of the Bank of Abkhazia.

Article 27. The provision of the financial stability of the deposit insurance system

1. The financial stability of the deposit insurance system is ensured by the property of the Bank of Abkhazia and the funds of the Republican budget on the terms and conditions which are established by this Law and the budget legislation of the Republic of Abkhazia.
2. To ensure the financial stability of the deposit insurance system, the Law of the Republic of Abkhazia on the State budget for the corresponding year establishes the right of the Cabinet of Ministers of the Republic of Abkhazia to issue budget credits and to borrow, the maximum amount of the funds borrowed, and also the maximum amount of the corresponding expenditures of the State budget.
3. If the Board of the Bank of Abkhazia decides that it would be impossible to pay insurance compensation in the terms established by this Law without replenishing the mandatory insurance fund with additional funds (except for insurance premiums and other planned income), the Board of Abkhazia, within a period not exceeding seven calendar days after the insured event, addresses the Cabinet of Ministers of the Republic of Abkhazia with a request to allocate the funds in the form of a budget loan.
If the abovementioned funds cannot be allocated, the Board of the Bank of Abkhazia has the right to address the President of the Republic of Abkhazia with a request to allocate additional funds from the State budget of the Republic of Abkhazia by introducing to the People's Assembly – Parliament of the Republic of Abkhazia a bill of the Republic of Abkhazia on making corresponding amendments to the Law of the Republic of Abkhazia on the State budget for the corresponding year.
4. In order to replenish the mandatory deposit insurance fund, the Board of the Bank of Abkhazia may establish an increased rate of insurance premiums in accordance with this Law.

Article 28. Control over the functioning of the deposit insurance system

1. Control over the functioning of the deposit insurance system is carried out by the President of the Republic of Abkhazia and the People's Assembly – Parliament of the Republic of Abkhazia.
2. Control over the spending of funds of the Republican budget, which have been sent to the mandatory deposit insurance fund, is carried out in the manner established for the use of the funds of the Republican budget.

Chapter 5. The participation of banks in the deposit insurance system. Final provisions

Article 29. The inclusion in the register of the deposit insurance system of banks which have permission from the Bank of Abkhazia as of the date of entry into force of this Law

1. The bank which has a permission of the Bank of Abkhazia as of the date of entry into force of this Law, is registered in the deposit insurance system by being included by the Bank of Abkhazia in the register of banks on the basis of a positive opinion on the compliance of the bank with the requirements set forth in Article 30 of this Law (hereinafter – requirements for participation in the deposit insurance system).
2. Deposits in the bank which has a permission of the Bank of Abkhazia as of the date of entry into force of this Law shall be insured in the manner prescribed by this Law from the date of the bank's registration in the deposit insurance system.

Article 30. Requirements for participation in the deposit insurance system

1. The bank which has a permission of the Bank of Abkhazia as of the date of entry into force of this Law or which has applied for permission from the Bank of Abkhazia is recognised as satisfying the requirements for participation in the deposit insurance system when it meets the following conditions simultaneously:
 - 1) if the accounting and reporting of the bank is recognised as reliable by the Bank of Abkhazia;
 - 2) if the bank complies with the required standards set by the Bank of Abkhazia;
 - 3) if the bank's financial stability is recognised by the Bank of Abkhazia as sufficient;
 - 4) if the measures envisaged in the Law of the Republic of Abkhazia "On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)", the Law of the Republic of Abkhazia "On banks and banking activity", legislation of the Republic of Abkhazia on the insolvency (bankruptcy) of credit institutions do not apply to the bank, and if there is no basis for their application following the thematic inspection, carried out in accordance with clause 4 of Article 31 of this Law.
2. The bank's accounting and reporting are recognised by the Bank of Abkhazia as reliable if simultaneously:
 - 1) the bank's accounting and reporting are in accordance with the legislation of the Republic of Abkhazia, the norms and regulations established by the Bank of Abkhazia, and the bank's own accounting policy;

- 2) possible shortcomings or mistakes in the accounting and reporting of the bank do not significantly affect the assessment of its financial stability.
3. The financial stability of the bank is assessed by the Bank of Abkhazia using a group of indicators which are outlined in clause 4 of this Article, with a definition for each of them of a general result “satisfactory” or “unsatisfactory”. The financial stability of the bank is deemed sufficient by the Bank of Abkhazia if the result is “satisfactory” in all groups of indicators.
4. The following groups of indicators are used to assess the financial stability of the bank:
 - 1) a group of capital valuation indicators, including indicators for assessing capital adequacy and quality;
 - 2) a group of asset valuation indicators, including quality indicators for loans and other assets, the amount of provisions for losses on loans and other assets, the degree of concentration of risks by assets, including the amount of credit risks for shareholders (participants) and insiders;
 - 3) a group of indicators for assessing the quality of bank management, its operations and risks, including indicators of transparency in the ownership structure, organisation of the risk management system, including control over the size of the currency position, internal control, including the system of combating the legalisation of illegal proceeds and the financing of terrorism;
 - 4) a group of indicators of profitability assessment, including indicators of profitability of assets and capital, income and expenditure structures, profitability of certain types of transactions and the bank as a whole;
 - 5) a group of liquidity assessment indicators, including liquidity indicators of assets, liquidity and liabilities structure, general liquidity of the bank, risk for large creditors and depositors.
5. The indicators specified in this Article, the methods for calculating them and determining the summary result on them are established by the normative acts of the Bank of Abkhazia and published by the Bank of Abkhazia not later than a month after the entry into force of this Law.

Article 31. The procedure of the Bank of Abkhazia for the issue of an opinion on the compliance of banks, which have a permission of the Bank of Abkhazia as of the date of entry into force of this Law, with the requirements for participation in the deposit insurance system

1. The bank which has a permission of the Bank of Abkhazia as of the date of entry into force of this Law, and which has made a decision to participate in the deposit insurance system, has the right, within the period not exceeding two months from the date of entry into force of this Law, to apply to the Bank of Abkhazia to receive an opinion from the Bank of Abkhazia on the bank’s compliance with the requirements for participation in the deposit insurance system (hereinafter – the opinion).
2. The Bank of Abkhazia shall issue an opinion within a period not exceeding three months from the date of receipt of the bank’s application to the Bank of Abkhazia for the Bank of Abkhazia to issue an opinion (hereinafter also – petition).

3. The consideration by the Bank of Abkhazia of the banks' petitions and the issue of judgments on them must be completed within a period not exceeding six months from the date of entry into force of this Law.
4. The consideration of the petition by the Bank of Abkhazia consists of the following stages:
 - 1) A preliminary analysis of the bank's compliance with the requirements for participation in the deposit insurance system;
 - 2) a thematic inspection to assess the reliability of accounting and reporting, as well as to establish facts that are related to determining the bank's compliance with the requirements for participation in the deposit insurance system and that cannot be obtained by remote supervision methods;
 - 3) final analysis of results, including the calculation of the values of all criteria;
 - 4) reaching a positive or a negative conclusion.
5. The norms of the Law of the Republic of Abkhazia "On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)", which limit inspections by the Bank of Abkhazia, do not apply to the thematic inspections held in accordance with this Law.
6. If the Bank of Abkhazia reached a negative conclusion, the bank has the right to apply to the Bank of Abkhazia once again after the elimination of the identified shortcomings, with the exception of cases when there are grounds for the cancellation of the bank's license of the Bank of Abkhazia.
7. The bank is to submit the new application within a period not exceeding seven months from the day of entry into force of this Law.
8. The Bank of Abkhazia is to consider the new application and to reach a conclusion on it within a period not exceeding nine months from the day of entry into force of this Law.
9. The bank is not allowed to apply to the Bank of Abkhazia more than two times.

Article 32. The consequences of the refusal of the bank, which has a permission of the Bank of Abkhazia as of the date of entry into force of this Law, to participate in the deposit insurance system

1. For the purposes of this Law, the bank's refusal to participate in the deposit insurance system is:
 - 1) the failure of the bank to submit an application to the Bank of Abkhazia within two months from the date of entry into force of this Law;
 - 2) the bank's application to the Bank of Abkhazia stating its refusal to attract the individuals' funds as deposits, open and maintain the bank accounts of individuals.
2. The Bank of Abkhazia with respect to banks that refused to participate in the deposit insurance system in accordance with clause 1 of this Article shall:
 - 1) after nine months from the date of entry into force of this Law, introduce a ban on attracting individuals' funds as deposits and opening bank accounts of individuals which

- is valid until the day when the bank's right to work with deposits is terminated, in accordance with the procedure established by this Law and adopted in compliance with the normative acts of the Bank of Abkhazia, or until the day the bank's license of the Bank of Abkhazia has been cancelled;
- 2) from the moment when the bank is found to have refused to participate in the deposit insurance system, but not later than nine months from the date of entry into force of this Law, request that the bank submit an application for termination of the right to work with deposits.
 3. Banks that are subject to this requirement of the Bank of Abkhazia in accordance with clause 2 of this Article are required within a month, to send to the Bank of Abkhazia an application for termination of the right to work with deposits in the order established by the normative acts of the Bank of Abkhazia.
 4. Banks that have sent to the Bank of Abkhazia an application for the termination of the right to work with deposits from the date of sending the said application are not entitled to attract deposits from individuals' funds, as well as to credit additional funds to accounts on the deposits of individuals with whom the bank concluded a bank deposit or bank account agreement prior to filing such an application. This information should be placed in the bank's premises which are accessible to the customers and where the depositors are served on the day of sending the abovementioned application to the Bank of Abkhazia.
 5. A bank deposit agreement or a bank account agreement with individuals, which was concluded by the bank prior to the day of the prohibition of the Bank of Abkhazia to attract individuals to deposit funds and open bank accounts of individuals is not subject to termination, except for when the owner of the deposit (account) requests termination of the corresponding agreement. Additional funds received as deposits (to the account) from the date of introduction by the Bank of Abkhazia of this prohibition, except for interest accrued in accordance with the terms of the bank deposit agreement (bank account agreement), are not credited as deposits (to the account) and should be returned to the individuals, who gave an instruction to transfer money as a deposit (to an account) or, upon receiving an application of the individual, are transferred in the order established by the Bank of Abkhazia to the account of the same individual opened in another bank that is registered the deposit insurance system.
 6. The banks, on the day of the introduction by the Bank of Abkhazia in accordance with clause 2 of this Article of the prohibition on attracting individuals' funds as deposits and opening bank accounts of individuals are required to post information on the termination of the right to attract individuals' funds as deposits and (or) accounts, the right to conclude new bank deposit agreements or bank account agreements with individuals, as well as information on prohibiting the transfer of additional funds into deposits and (or) accounts opened with a bank before the date of the ban by the Bank of Abkhazia. The information should be available to customers in the bank premises, where the depositors are served.
 7. If the bank fails to fulfill the obligations stipulated in clauses 3-6 of this Article, the Bank of Abkhazia applies to it the liability measures provided for by the Law of the Republic of

Abkhazia “On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)”, the Law of the Republic of Abkhazia “On banks and banking activity” and other laws.

Article 33. The consequences of the negative opinion issued by the Bank of Abkhazia

1. For the purposes of this Law, a bank that has the permission of the Bank of Abkhazia as of the date of entry into force of this Law shall be recognised as not meeting the requirements for participation in the deposit insurance system in the following cases:
 - 1) if it fails to send to the Bank of Abkhazia a second application in the manner prescribed by clauses 6-8 of Article 31 of this Law;
 - 2) if the Bank of Abkhazia issues a negative opinion following the consideration of the bank’s second application and other appeals against the negative opinion.
2. The Bank of Abkhazia, within a month after the issue of the negative opinion on the second application, or within a month after the expiration of the period for the bank to send the second application, or within a month after making a decision on the immutability of the negative opinion following the consideration of the appeals against the negative conclusion, shall:
 - 1) send a request for the submission by the abovementioned bank of an application for the termination of the right to work with deposits;
 - 2) introduce a ban on attracting individuals to deposits and opening bank accounts of individuals that is valid until the day when the bank’s right to work with deposits is terminated in accordance with the procedure established by this Law and the normative acts of the Bank of Abkhazia adopted in accordance with it, or by the day of the recall of the bank’s license of the Bank of Abkhazia.
3. Within a month from the date of introduction by the Bank of Abkhazia of the ban on attracting individuals’ funds as deposits and opening bank accounts of individuals, based on the results of the re-examination or after the expiration of the period for the bank to send a second application to the Bank of Abkhazia, in accordance with the procedure established by normative acts of the Bank of Abkhazia, the bank recognised by the Bank of Abkhazia as not complying with the requirements for participation in the deposit insurance system in accordance with clause 1 of this Article is obliged to send an application about the termination of the right to work with deposits.
4. A bank deposit agreement or a bank account agreement with individuals which was concluded by the bank before the day of the introduction of the said ban by the Bank of Abkhazia is not subject to termination, except for the case of the owner of the deposit (account) requesting the termination of the relevant contract. Additional funds received as deposits (to the account) from the date of introduction by the Bank of Abkhazia of this prohibition, except for interest accrued in accordance with the terms of the bank deposit agreement (bank account agreement), are not credited as deposits (to the account) and should be returned to the individuals, who gave an instruction to transfer money into a deposit (to an account) or, upon receiving an application of the individual, are transferred in the order established by the Bank of Abkhazia to the account of the same individual opened in another bank that is registered the deposit insurance system.

5. The banks, on the day of the introduction by the Bank of Abkhazia in accordance with clause 2 of this Article of the prohibition on attracting individuals' funds as deposits and opening bank accounts of individuals are required to post information on the termination of the right to attract individuals' funds as deposits and (or) accounts, the right to conclude new bank deposit agreements or bank account agreements with individuals, as well as information on prohibiting the transfer of additional funds into deposits and (or) accounts opened with a bank before the date of the ban by the Bank of Abkhazia. The information should be available to customers in the bank premises, where the depositors are served.
6. If the bank fails to fulfill the obligations stipulated in clauses 3-6 of this Article, the Bank of Abkhazia applies to it the liability measures provided for by the Law of the Republic of Abkhazia "On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)", the Law of the Republic of Abkhazia "On banks and banking activity" and other laws.

Article 34. The consequences of non-compliance of banks, which are included in the register of banks, with the requirements for participation in the deposit insurance system

1. Banks that are included in the register of banks must comply with the requirements for participation in the deposit insurance system established by Article 30 of this Law while taking into account the specifics established by this Article.
2. The Bank of Abkhazia, in accordance with the legislation of the Republic of Abkhazia, supervises the compliance of banks with the requirements specified in clause 1 of this Article.
3. The bank included in the register of banks does not meet the requirements for participation in the deposit insurance system in cases when:
 - 1) accounting and reporting of the bank are considered unreliable by the Bank of Abkhazia for three consecutive months;
 - 2) the bank for six consecutive months does not comply with the same mandatory standard from among those that are established by the Bank of Abkhazia. Failure to comply with the mandatory standard in the reporting month is a violation in aggregate for six or more business days during the given month;
 - 3) the bank's financial stability is considered insufficient by the Bank of Abkhazia;
 - 4) one of the measures provided for by the Law of the Republic of Abkhazia "On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)" is continuously applied to the bank for three months.

3.1. For the purposes of this Article, the bank's financial stability is deemed insufficient by the Bank of Abkhazia in cases when:

- 1) the bank has an "unsatisfactory" rating for the same group of indicators provided for in paragraphs 1,2 and 5 of clause 4 of Article 30 of this Law for six reported consecutive monthly dates or for two reporting quarterly consecutive dates;
- 2) has an "unsatisfactory" rating for the group of indicators provided for in paragraph 3 of clause 4 of Article 30 of this Law for three months in a row;

3) has an “unsatisfactory” rating for the group of indicators provided for in paragraph 4 of clause 4 of Article 30 of this Law for two reporting quarterly consecutive dates.

3.2. The compliance of the bank included in the register of banks with the requirements for participation in the deposit insurance system is determined on the basis of the results of inspections or when performing documentary analysis of the bank’s accounts, as well as documented information received from the bank. In the event that violations detected as a result of an inspection or a documentary analysis of the bank’s accounts, which lead in the terms established by this Article, to a violation of the requirements of paragraphs 1,2 and 3 of clause 1 of Article 30 of this Law, have been eliminated as soon as they were detected or in the course of the inspection which detected them, or eliminated at the time of consideration by the Bank of Abkhazia of the issue of imposing a ban on attracting individuals to deposits and opening bank accounts of individuals, the bank is deemed to be in compliance with the requirements paragraph 1, 2 or 3 of clause 1 of Article 30 of this Law.

3.3. The Bank of Abkhazia, in case of the bank’s failure to meet the requirements for participation in the deposit insurance system on the grounds specified in clauses 3 and 3.1 of this Article, shall:

1) send a request for the submission by the designated bank of an application for termination of the right to work with deposits;

2) prohibit the said bank from attracting individuals’ funds to deposits and opening bank accounts of individuals until the day when the bank’s right to work with deposits in accordance with the procedure established by this Law and the normative acts of the Bank of Abkhazia adopted in accordance with it has been terminated, or by the day of the recall of the bank’s license of the Bank of Abkhazia to attract as deposits the individuals’ funds and to open and maintain the bank accounts of individuals.

3.4. The Bank of Abkhazia, in case of revealing the threat to the interests of creditors and depositors in the activities of the bank, may make the decisions provided for in clause 3.3 of this Article in cases where:

1) the accounting and reporting of the bank are deemed unreliable by the Bank of Abkhazia;

2) the bank for two consecutive months does not comply with the same mandatory standard from among those established by the Bank of Abkhazia;

3) the bank has an “unsatisfactory” rating for the same group of indicators provided for in paragraphs 1-3 and 5 of clause 4 of Article 30 of this Law, for two consecutive months.

4. The bank which, in accordance with clauses 3.3 and 3.4 of this Article, received a ban from the Bank of Abkhazia to attract individuals’ funds as deposits and open bank accounts of individuals, shall, within 30 days after the introduction of this ban, send to

- the Bank of Abkhazia in the order established by normative acts of the Bank of Abkhazia, an application for termination of the right to work with deposits.
5. A bank deposit agreement or a bank account agreement with individuals which was concluded by the bank before the day of the introduction of the said ban by the Bank of Abkhazia is not subject to termination, except for the case of the owner of the deposit (account) requesting the termination of the relevant contract. Additional funds received as deposits (to the account) from the date of introduction by the Bank of Abkhazia of this prohibition, except for interest accrued in accordance with the terms of the bank deposit agreement (bank account agreement), are not credited as deposits (to the account) and should be returned to the individuals, who gave an instruction to transfer money into a deposit (to an account) or, upon receiving an application of the individual, are transferred in the order established by the Bank of Abkhazia to the account of the same individual opened in another bank that is registered the deposit insurance system.
 6. The banks which, in accordance with clauses 3.3 and 3.4 of this Article, received a ban from the Bank of Abkhazia on attracting individuals' funds as deposits and opening bank accounts of individuals are required not later than one working day, to post information on the termination of the right to attract individuals' funds as deposits and (or) accounts, the right to conclude new bank deposit agreements or bank account agreements with individuals, as well as information on prohibiting the transfer of additional funds into deposits and (or) accounts opened with a bank before the date of the ban by the Bank of Abkhazia. The information should be available to customers in the bank premises, where the depositors are served.
 7. If the bank fails to fulfill the obligations stipulated in clauses 4-6 of this Article, the Bank of Abkhazia applies to it the liability measures provided for by the Law of the Republic of Abkhazia "On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)", the Law of the Republic of Abkhazia "On banks and banking activity" and other laws.
 8. A bank that has refused to participate in the deposit insurance system in accordance with Article 32 of this Law has the right to apply for a permit from the Bank of Abkhazia or for the lifting of the ban on attracting individuals' funds as deposits and opening bank accounts of individuals not earlier than two years from the date of entry into force of this Law.
 9. The Bank, in relation to which in accordance with Article 33 of this Law a negative opinion has been reached on compliance with the requirements for participation in the deposit insurance system or which is found not to comply with such requirements in accordance with this Article, has the right to apply again for the permit of the Bank of Abkhazia or for the lifting of the ban on attracting individuals' funds as deposits and opening bank accounts of individuals not earlier than two years from the date of termination of the right to work with deposits. The day of termination of the right to work with deposits is the day of recognition, in accordance with the procedure established by the normative acts of the Bank of Abkhazia, of the recall of the license of the Bank of Abkhazia to attract individuals' funds as deposits and to open and maintain the bank accounts of individuals.

Article 35. The formation of the initial size of the deposit insurance fund for individuals

The initial size of the deposit insurance fund for individuals is 45 million rubles and is formed in equal shares at the expense of the Republican budget and the contribution of the National Bank of the Republic of Abkhazia.

Article 36. The entry into force of this Law

This Law shall enter into force on January 1, 2012.

Adopted by the People's Assembly –
Parliament of the Republic of Abkhazia
on February 22, 2011

**PRESIDENT
OF THE REPUBLIC OF ABKHAZIA**

S. BAGAPSH

Sukhum

March 10, 2011

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