

The Russian Federation Federal Law on Insurance of Household Deposits in Banks of the Russian Federation

Enacted on December 23, 2003 #177-FZ

THE RUSSIAN FEDERATION

FEDERAL LAW

ON INSURANCE OF DEPOSITS OF HOUSEHOLDS IN BANKS OF THE RUSSIAN FEDERATION

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(Including Federal laws incorporating amendments: dated 20.08.2004 #106-FZ; dated 29.12.2004 #197-FZ; dated 20.10.2005 #132-FZ, dated 27.07.2006 #150-FZ, dated 13.03.2007 #34-FZ and dated 13.10.2008 #174-FZ, dated 22.12.2008 # 270-FZ)

This Federal Law sets forth legal, financial and organizational basis for operations of a mandatory deposit insurance system for deposits of households in banks of the Russian Federation (hereinafter - deposit insurance system or DIS), competences, procedures of establishment and functioning of an organization authorized to fulfil the functions of mandatory deposit insurance (Deposit Insurance Agency, hereinafter referred to also as the Agency), as well as rules regulating payouts to insured depositors. This law regulates relationship between banks of the Russian Federation, the Agency, the Central Bank of the Russian Federation (the Bank of Russia) and executive bodies of the Russian Federation in the area of mandatory households' deposit insurance.

Chapter I. GENERAL PROVISIONS

Article 1. Purposes of this Federal Law and Relations Regulated by it

1. The purposes of this Federal Law are to protect rights and legitimate interests of household depositors with banks of the Russian Federation, to strengthen public confidence in the banking system of the Russian Federation and to encourage acceptance of households' savings to the banking system of the Russian Federation.

2. This Federal Law regulates relations arising in connection with establishment and functioning of the mandatory deposit insurance system for households' deposits, formation and use of its pecuniary fund, payouts to insured depositors upon occurrence of an insured event, as well as relations arising in connection with control by the state over the deposit insurance system operations and any other relations arising thereof.

3. This Federal Law shall not apply to other methods of insurance of households' deposits for securing their repayment and payment of interest on them.

4. In accordance with the purposes of this Federal law, legal status specifics shall be set forth for the DIS participants, as well as material conditions of the mandatory insurance of deposits of households, insured event occurrence, payment of insurance premiums and reimbursement of insured depositors.

5. Relations arising in connection with the establishment and functioning of the deposit insurance system shall be governed by this Federal law, and other federal laws, and in cases envisaged by this Federal law by regulations issued by the Russian Federation Government and the Bank of Russia in accordance with thereof.

Article 2. Basic Definitions Used in This Federal Law

For the purposes of this Federal law, the following basic definitions are used:

1) bank - a credit institution licensed by the Bank of Russia to accept deposits from households and open and operate bank accounts in accordance with the procedure set forth in the Federal law «On Banks and Banking» (version dated February 3, 1996 #17-FZ) (hereinafter – the Federal law «On Banks and Banking»);

2) deposit - cash resources denominated in the currency of the Russian Federation or foreign currency placed by individuals or to their benefit in a bank on the territory of the Russian Federation in accordance with a deposit or an account agreement, including capitalized (accrued) interest on the deposit amount;

3) register of banks - list of banks compiled in accordance with this Federal law that includes banks registered as members of the deposit insurance system;

4) depositor - a citizen of the Russian Federation, a foreign citizen or an individual without citizenship that concluded a bank account or a deposit agreement, or any individual in whose favor a deposit is made;

5) deposit reimbursement (deposit insurance payout) - an amount of money to be repaid to a depositor in accordance with this Federal law when an insured event occurs;

6) the Bank of Russia's authorization – a license to accept individuals' cash resources into deposits and open and operate individuals' bank accounts granted by the Bank of Russia in accordance with the procedure set forth in the Federal law «On Banks and Banking»;

7) deficit of the mandatory deposit insurance fund - shortage of funds in the mandatory deposit insurance fund to reimburse insured depositors within the time limit set forth by this Federal law;

8) counterclaim – a debt owed to a bank by its depositor resulting from civil law relations (transactions) and/or from other arrangements envisaged by the legislation of the Russian Federation that make the depositor a debtor of the bank.

Article 3. Basic Principles of the Deposit Insurance System

The following shall be the basic principles of the deposit insurance system:

1) mandatory membership of banks in the deposit insurance system;

2) mitigation of risks of occurrence of unfavorable consequences for depositors in case banks fail to meet their obligations;

3) transparency of the deposit insurance system operations;

4) cumulative nature of formation of the deposit insurance fund at the expense of regular insurance premiums from the DIS member banks.

Article 4. Participants of the Deposit Insurance System

The following parties shall be the participants of the deposit insurance system:

- 1) depositors that are recognized «the beneficiaries» for the purposes of this Federal law;
- 2) banks that are included into the register of banks in accordance with established rules and procedure and considered «the insured» for the purposes of this Federal law;
- 3) the Agency that is considered «the insurer» for the purposes of this Federal law;
- 4) the Bank of Russia when fulfilling functions arising from this Federal law.

Article 5. Deposits that are Insured In Accordance with This Federal Law

1. In accordance with this Federal law, deposits are covered by the insurance in amounts, on conditions and according to the procedure set forth in Chapter 2 of this Federal law, except the funds mentioned in part 2 of this article.

2. Under this Federal law, the following types of funds shall not be covered by the insurance:

1) placed on bank accounts (deposits) of non-incorporated individuals engaged in entrepreneurial activities, if such accounts (deposits) have been opened for conducting legitimate entrepreneurial activities as well as those placed on bank accounts (deposits) of attorneys, notaries and other persons, if such accounts (deposits) have been opened for conducting professional activities as specified by federal law;

2) placed by individuals in bearer's bank deposits, including those certified by a bearer's savings certificate and/or savings book;

3) placed by individuals in trust with banks;

4) placed in bank deposits with branches of Russian banks outside the territory of the Russian Federation.

3. Insurance of deposits shall be conducted in accordance with this Federal law without concluding a special insurance agreement.

Article 6. Membership of Banks in the Deposit Insurance System

1. Under this Federal law participation of banks in the deposit insurance system shall be mandatory for all banks.

2. A bank shall be considered a member of the deposit insurance system as of its registration date until the date of its removal from the register of banks as prescribed in Article 28 of this Federal law.

3. Banks shall be obligated:

1) to pay insurance premiums to the mandatory deposit insurance fund;

2) to disclose information to depositors on their membership in the deposit insurance system, and on the procedure and the amount of deposit insurance coverage;

3) to place information about the deposit insurance system in premises of a bank where depositors have a free access and are serviced;

4) to keep records of a bank's liabilities to depositors and the bank's counterclaims against depositors enabling the bank to prepare on insured event occurrence as well as at any other day upon the Bank

of Russia request (within seven calendar days upon delivery to the bank of the request) a register of liabilities to depositors in accordance with rules and in form set out by the Bank of Russia upon the Agency's proposal;

5) To fulfill other duties as set forth by this Federal law.

Chapter II. PROCEDURE AND TERMS OF REIMBURSEMENT OF INSURED DEPOSITORS

Article 7. Depositors' Rights

1. Depositors have the following rights:

- 1) to receive reimbursement of their deposits in accordance with rules set forth by this Federal law;
- 2) to inform the Agency about delays in settling by a bank of its liabilities due to depositors;
- 3) to receive information from a bank with which they place a deposit, as well as from the Agency about this bank's membership in the deposit insurance system.

2. A depositor who has received reimbursement of his/her deposits placed with a bank in which the insured event occurred, preserves the right to claim from the bank an amount that is determined as a difference between amount of his/her claim to the bank and amount paid to him/her as reimbursement of deposits with this bank. Reimbursement of such claims shall be carried out in accordance with civil legislation of the Russian Federation.

3. In case of executing bank deposit (bank account) agreement for the benefit of a third person an individual who is the beneficiary of this deposit (bank account) should gain the rights of a depositor established by this Federal law.

Article 8. Insured Event

1. For the purposes of this Federal law one of the following circumstances shall be considered as the insured event:

- 1) revocation (annulment) of a bank's license to conduct banking business granted by the Bank of Russia (hereinafter referred to as the license of the Bank of Russia) in accordance with the Federal law «On Banks and Banking»;
- 2) imposition of a moratorium by the Bank of Russia on settling claims of a bank's creditors in accordance with legislation of the Russian Federation.

2. insured event shall be deemed to arise as of the date of revocation (annulment) by the Bank of Russia of a bank's license or imposition of a moratorium on settlement of claims of the bank's creditors.

Article 9. Emergence of a Depositor's Right for Reimbursement of Deposits

1. The right of a depositor for reimbursement of his/her deposits emerges as of the insured event date.

2. An individual who acquired from a depositor claims based on deposit (deposits) after occurrence of an insured event shall not be entitled for compensation on such deposit (deposits) except an individual who acquired by inheritance the right of claim arising from a deposit which has not been reimbursed (hereinafter referred to as inheritor). The inheritor can use the rights of a decedent depositor that are established by this Federal law starting from the moment when the inheritor receives the relevant certificate of his right to inheritance or other document confirming his right to inheritance or the right to use money of the decedent.

3. In case rights of claim arising from a deposit (deposits) of a depositor after the insured event occurrence are transferred to several inheritors, each of them obtains the right for a part of non paid to the insurance compensation that is proportionate to the size of his/her acquired right of claim to this deposit (deposits). In this case insurance compensation paid to an inheritor in connection with this deposit (deposits) does not depend on insurance compensation paid or due to this inheritor in connection with other deposits.

Article 10. Procedure to Apply for Reimbursement of Deposits

1. A depositor (his/her representative or inheritor (inheritor's representative)) shall be entitled to request the Agency to reimburse his/her insured deposits starting the day of insured event occurrence through the date of completion of bankruptcy proceedings. If the Bank of Russia imposed a moratorium on settling creditors' claims - through the date of the moratorium termination.

2. If a depositor (his inheritor) missed timing for filing a claim for reimbursement stipulated in part 1 of this article, such period can be restored upon request of the depositor (his inheritor) by the Agency's management board under one of the following circumstances:

1) If force majeure event precluded filing a claim for deposit insurance;

2) If the depositor (inheritor) was (is) conscripted into military service or was (is) in the ranks of the Armed Forces of the Russian Federation (other troops, military units and bodies) put under the conditions of martial law - for the period of doing such service (of martial law);

3) if the term for filing a claim for deposit insurance was missed as a result of serious illness of the depositor (his inheritor), helpless condition of the depositor (his inheritor), timing of obtaining inheritance rights by an inheritor as well as other reasons that are connected with the depositor's (his inheritor's) personality.

3. The Agency's management board decision not to restore the missed timing for filing a claim for deposit insurance can be appealed by depositor (his inheritor) in courts.

4. When filing a claim for deposit insurance to the Agency, a depositor (inheritor) shall submit the following documents:

1) an application filled out according to Agency format;

2) the depositor identity documents or, in case when the inheritor files a claim, also documents that confirm his right to inheritance or to use money of the testator.

5. If a depositor (inheritor) files a claim through a trustee, a notarized power of attorney shall be submitted in addition to the documents indicated in point 1 and 2 of part 4 of this article.

Article 11. Amount of Insurance Coverage

1. Amount of insurance coverage for every depositor is calculated based on the aggregate amount of liabilities to a depositor of a bank in which the insured event occurred. When calculating the aggregate amount of liabilities to a depositor, only deposits insured in accordance with article 5 of this Federal law are taken into account.

2. Depositors shall get a 100% reimbursement of their aggregate deposits in a bank in which the insured occurred but not more than 700,000 rubles.

3. If a depositor has several deposits in one bank with aggregate liabilities thereof in excess of 700,000 rubles the deposit insurance reimbursement shall be effected with regard to each deposit on a pro rata basis.
4. If the insured events occurred in several banks where a depositor has deposits, the amount of insurance coverage shall be calculated in relation to each such bank separately.
5. An amount of deposit insurance due to a depositor is calculated based on account balances at a bank as at the end of the business day when the insured event occurred.
6. If liability to a depositor of a bank's in which the insured event occurred is denominated in foreign currency, the amount of deposit insurance due to the depositor shall be calculated in the Russian Federation currency at the exchange rate set by the Bank of Russia as at the date of insured event.
7. If a bank in which an insured event occurred was also a creditor of an insured depositor, the amount of deposit insurance due to the depositor shall be determined based on the difference between the aggregate liabilities of the bank to this depositor and the bank's counter claims to the depositor that emerged before the insured event.

Article 12. Deposit Insurance Payout Procedure

1. The Agency shall, within seven days from receipt of a register of liabilities from a bank in which the insured event occurred, forward to this bank as well as to «The Bank of Russia Bulletin» for publication, information specifying location, time, format and procedure for claiming deposit insurance. Within a month from receipt of a register a bank's liabilities to depositors, the Agency shall send respective information to depositors of the bank in which the insured event occurred.
2. A depositor shall be entitled to receive information mentioned in part 1 of this article directly at the Agency, as well as at the bank in which the insured event occurred.
3. Upon submission by a depositor (his representative) to the Agency of documents listed in parts 4 and 5 of article 10 of this Federal law, the Agency shall provide to depositor an abstract from the bank's register of liabilities to depositors indicating an amount due to the depositor.
4. Deposit reimbursement shall be effected by the Agency in accordance with the register liabilities to depositors formed by a bank in which the insured event occurred, within 3 business days from the day of submission by a depositor of respective documents listed in parts 4 and 5 of article 10 of this Federal law, but no sooner than 14 days after the insured event date.
5. When effecting deposit reimbursement the Agency shall provide reference information to a depositor on amounts paid out and deposits that were reimbursed and sends a copy of this information to the bank.
6. If the Agency failed to reimburse an agreed amount within the time frame set forth in this article, the Agency shall be obligated to pay interest to the depositor calculated based on the Bank of Russia's refinancing rate as at the date of actual reimbursement.
7. If a depositor does not agree with the amount due to him/her, the Agency shall request that depositor to submit additional documents to justify the validity of his/her claims and send them to the bank for review. Within 10 days from receipt of the above documents the bank shall be obligated to consider them and, if the depositor's claims were recognized valid, make relevant amendments to the register of the bank's liabilities to depositors and send information to the Agency on the results of claims review and, if needed, on changes in the register of the bank's liabilities to depositors.

8. Upon agreement with the bank and the depositor on the bank's liabilities amount based on the additionally submitted documents, the Agency shall reimburse the agreed amount according to the established procedure.

9. If a depositor missed the timing for filing a claim for deposit reimbursement that was restored in accordance with parts 2 and 3 of article 10 of this Federal law, the depositor shall be entitled for deposit reimbursement in the amount of aggregate liabilities to him as stated in the bank's register of liabilities to depositors.

10. If a depositor disagrees with the reimbursement amount due to him/her, the depositor shall be entitled to apply to the court in accordance with legislation of the Russian Federation.

11. Deposit reimbursement can be effected upon a depositor's request either in cash or by transfer of funds to the bank account specified by a depositor.

12. Acceptance of claims for reimbursement along with other documents including those listed in parts 4 and 5 of article 10 of this Federal law and part 7 of this article, can be done by Agency through authorized agent banks acting in the Agency's name, on its behalf and at its expense. The procedure for interaction between agent banks and the Agency, including compensation of agent banks' incurred costs, shall be set by the Agency's Board of Directors. A procedure for selection of agent banks on competitive basis shall be established by the Agency's Board of Directors upon agreement with the federal anti-monopoly body.

13. Deposit reimbursement shall be effected in the Russian Federation currency.

Article 13. Subrogation of Claim after Deposit Reimbursement

1. The Agency, that reimbursed insured depositors, shall subrogate the depositor's claims against the bank in which the insured event occurred, up to the amount actually reimbursed.

2. In the course of bankruptcy (liquidation) proceedings the claims acquired by the Agency as a result of reimbursement of insured depositors, shall be treated as claims of first priority creditors's.

3. In bankruptcy (forced liquidation) actions and proceedings claims to the bank, acquired by the Agency as a result of its reimbursement of insured depositors, shall be presented by a federal agency, authorized by the Government of Russia (hereinafter – the authorized agency).

4. After the Agency reimburses insured depositors, the authorized agency shall take steps to recover from the bank its debt to the Agency acquired by the Agency as a result of reimbursement of insured depositors pursuant to parts 1 and 2 of this article, according to procedures, set forth by the legislation of the Russian Federation. The recovered funds shall be credited to the mandatory deposit insurance fund.

5. Upon expiration of the term of a moratorium on settlement of creditors' claims, established by the Bank of Russia, the Agency may give the bank, whose depositors it has reimbursed a deferment for repayment of its debt or for its payment by installments.

6. The repayment may be deferred for the period up to six months for the repayment to be made in a lump sum.

7. There can be provided for payment by installments for a period up to a year.

8. The debt shall accrue interest at the rate, which equals half the refinancing rate of the Bank of Russia, effective during the period of deferment or payments in installments.

Chapter III. LEGAL STATUS, PURPOSE OF ACTIVITIES AND AUTHORITY OF THE DEPOSIT INSURANCE AGENCY

Article 14. The Deposit Insurance Agency

1. The Deposit insurance agency shall be established with the purpose to fulfill functions of the mandatory deposit insurance.
2. The Agency shall be the State Corporation established by the Russian Federation. The legal status, purposes of activities, functions and authority of the newly established agency shall be set forth in this Federal law, the Federal law # 7-FZ «On Non-commercial Organizations» dated January 12, 1996, the Federal law «On Banks and Banking», the Federal law # 40-FZ «On Insolvency (Bankruptcy) of Credit Institutions» dated February 25, 1999 (hereinafter referred to as the Federal law «On Insolvency (Bankruptcy) of Credit Institutions»).
3. The Agency shall have its seal with the Russian Federation State Emblem and its name.
4. The Agency shall have an account with the Bank of Russia.
5. Location of the Agency's headquarters shall be the city of Moscow.

Article 15. The Agency's Purpose of Activities and Authority

1. The purpose of the Agency activities in accordance with this Federal law shall be to ensure operations of the mandatory deposit insurance system.
2. When executing the mandatory deposit insurance functions, the Agency shall:
 - 1) keep the register of member banks;
 - 2) collect insurance premiums from banks and monitor their timely and full receipt by the deposit insurance fund;
 - 3) take measures to record depositors' claims and reimburse insured depositors;
 - 4) request the Bank of Russia to impose sanctions against banks that violate provisions of this Federal law as set forth in article 74 of the Federal law «On the Central Bank of the Russian Federation (The Bank of Russia)» and in the Bank of Russia regulations;
 - 5) place and (or) invest temporarily idle funds of the deposit insurance fund in accordance with the procedure set forth in this Federal law;
 - 6) require that banks place information on the deposit insurance system and bank membership in it in premises where banks provide services to depositors;
 - 7) determine the procedure for insurance premium calculation in accordance with article 36 of this Federal law;
 - 8) exercise other powers aimed at accomplishing goals and objectives set forth for the Agency by this Federal law.
3. Fulfillment by the Agency of the mandatory deposit insurance functions in accordance with this Federal law shall not require the Agency to obtain a license to conduct insurance business.

4. The Agency in accordance with the Federal law «On Banks and Banking» and the Federal law «On Insolvency (Bankruptcy) of Credit Institutions» fulfills functions of a bankruptcy trustee (liquidator) in bankruptcy proceedings in credit institutions.

5. The Agency is authorized to make transactions relating to realization of property (collateral) that is pledged as security against liabilities of credit institutions arising from the Bank of Russia loans to them.

Article 16. Property of the Agency

1. The property of the Agency shall be formed at the expense of initial property contribution made in accordance with article 50 of this Federal law, insurance premiums, as well as income derived by the Agency from investments, issuance of securities and other legitimate earnings.

2. The Agency shall not be liable for obligations of the Russian Federation. The Russian Federation shall not be liable for the Agency's obligations, unless otherwise is prescribed in federal laws.

3. The Agency shall use its property to fulfill functions set forth in this Federal law, the Federal law «On Banks and Banking» and the Federal law «On Insolvency (Bankruptcy) of Credit Institutions».

Article 17. Governing Bodies of the Agency

The Board of Directors, the Board of Managements and General Director shall be governing bodies of the Agency.

Article 18. The Board of Directors of the Agency

1. The Board of Directors shall be highest governing body of the Agency. It shall be comprised of 13 members: seven representatives of the Russian Federation Government, five representatives of the Bank of Russia, and the Agency's General Director. The General Director shall be an ex officio member of the Agency's Board of Directors.

2. Chairman of the Board of Directors shall be elected by the Board of Directors upon proposal of the Russian Federation Government.

3. Meetings of the Board of Directors shall be called by its Chairman or by no less than one third of its members, as needed, but no less frequent than once every quarter.

4. The Board of Directors is authorised to make decisions if no less than half of its members are present. Decisions shall be made by simple majority. If equal votes, the Chairman's vote shall be decisive.

5. The Chairman shall conduct meeting of the Agency's Board of Directors, and in his absence a person authorized by him shall do this.

6. The chairman of the meeting shall sign minutes of the Agency's Board of Directors meeting. Minority opinion shall be included in the minutes upon request.

Article 19. Authority of the Board of Directors

The Agency's Board of Directors shall:

1) approve the Agency's Board of Management's proposals on projected amount of federal budget expense that may incur in connection with the deficit of the mandatory deposit insurance fund's resources and submit them to the Government of the Russian Federation for incorporating in the draft federal budget law for the forthcoming year;

- 2) set the insurance premium rate;
- 3) determine types, conditions and procedure for placement and/or investment of temporarily idle funds of the Agency, as well as upper limits for such placements/investments;
- 4) make a decision on existence of a deficit of the mandatory deposit insurance fund and submit proposals to the government on forms and terms of covering the deficit in case of insured event occurrence no later than within 5 days from receipt of notification from the Agency's Board of Management;
- 5) make decisions of Decide on remittance of budget funds received from the federal budget in accordance with this Federal law upon restoration of financial sustainability of the deposit insurance fund;
- 6) approve a procedure for calculating insurance premiums;
- 7) approve the Agency's annual report;
- 8) approve a procedure for deferment and repayment in installments for banks in cases set forth in this Federal law;
- 9) approve the Agency's estimate of expenses and rules for allocation of the Agency's profit;
- 10) approve the Agency's organizational structure;
- 11) make decisions on establishing branches and representative offices of the Agency;
- 12) appoint and dismiss the Agency's General Director;
- 13) appoint and dismiss members of the Agency's Board of Management;
- 14) appoint an auditor of the Agency;
- 15) consider the General Director's reports on operations of the Agency;
- 16) approve terms of reference of the Board of Management;
- 17) govern operation of the Agency's Internal audit department;
- 17¹) establish rules for the bidding process for selection of audit firms for auditing the use by the Agency of the mandatory deposit insurance fund resources.
- 18) make decisions on issuance by the Agency of bonds and other securities;
- 19) execute other powers set forth in this Federal law, the Federal law «On Banks and Banking» and the Federal law «On Insolvency (Bankruptcy) of Credit Institutions».

Article 20. The Board of Management of the Agency

1. The Board of Directors shall determine the size of the Agency's Board of Management. The General Director of the Agency shall be a member of the Board of Management and run its operation.
2. Members of the Board of Management, except its General Director, shall be appointed by the Board of Directors for a five year period upon proposal of the General Director.

3. Members of the Board of Management shall be full time employees of the Agency.
4. Members of the Board of Management may be dismissed from their positions in the following cases:
 - 1) upon expiration of their five year term in office - by the General Director;
 - 2) before expiration of the term set by this article – by the Board of Directors of the Agency on proposal by the General Director.
5. The Board of Management of the Agency shall act on the basis of the terms of reference approved by the Board of Directors. This terms of reference shall set out frequency and procedure for calling the Board of Management's meetings and decision making.
6. During the Board meetings minutes of the meeting should be recorded. The minutes shall be submitted to the Agency Board of Directors' members, as well as to the internal and external auditors at their request.
7. Meetings of the Board of Management of the Agency shall be arranged by the General Director or a person authorized by him. Minutes of a meeting shall be signed by chairman of the meeting and one of members of the Board of Management present at the meeting.

Article 21. Authority of the Board of Management of the Agency

When exercising mandatory deposit insurance functions, the Board of Management of the Agency shall:

- 1) make decisions on reimbursement of depositors;
- 2) make decisions on inclusion of banks into the register of DIS member banks and exclusion of banks from the register in accordance with procedure set forth in this Federal law;
- 3) propose to the Bank of Russia to impose liability measures against banks in accordance with article 74 of the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia)»;
- 4) submit proposals for approval by the Board of Directors of the Agency on the development of the deposit insurance system, as well as on types, conditions and procedure for placement and/or investment of temporarily idle funds of the mandatory deposit insurance fund;
- 5) submit proposals for approval by the Board of Directors of the Agency on the size of the mandatory deposit insurance fund which is deemed sufficient for predicted deposit reimbursements during a forthcoming year, and on projected amount of borrowings from the federal budget needed to cover the mandatory deposit insurance fund's deficit during a forthcoming year;
- 6) notify the Board of Directors of the Agency about the mandatory deposit insurance fund's deficit based on information derived from registers of liabilities to depositors formed in accordance with point 4 of part 3 of article 6 of this Federal law, within no later than 3 days from receipt of a register of liabilities to depositors from a bank in accordance with part 1 of article 30 of this Federal law;
- 7) consider the Agency's annual report and submit it for approval to its Board of Directors;
- 8) submit proposals to the Board of Directors of the Agency on allocation of the agency's profit;
- 9) approve the Agency's staff schedule, determine terms of personnel hiring and firing, office duties and rights, the system of disciplinary measures, forms and amounts of compensation for the Agency's employees;

10) Execute other powers set forth in this Federal law, the Federal law «On Banks and Banking» and the Federal law «On Insolvency (Bankruptcy) of Credit Institutions» that is not within competence of the Board of Directors of the Agency.

Article 22. The General Director of the Agency

1. The Board of Directors shall appoint the General Director upon proposal of its Chairman for the term of five years. A nominee for the position of the General Director shall be presented to the Board one month prior to the expiration of the General Director's authority.

2. The General Director can be dismissed from his position by the Board of Directors upon submission of its Chairman in the following cases:

- 1) expiration of his authority;
- 2) his personal resignation request submitted to the Board of Directors' Chairman;
- 3) criminal offence acknowledged by the court sentence in legal force;
- 4) violation of federal laws that govern relations connected with the Agency's activities.

Article 23. Authority of the General Director

The General Directors shall:

- 1) act on behalf of the Agency and represent its interests without any power of attorney in relationships with state bodies, foreign entities and international organizations, as well as other institutions;
- 2) head the Board of Management of the Agency and arrange for implementation of its decisions;
- 3) issue orders and regulations related to the Agency activities;
- 4) distribute duties and responsibilities between his deputies;
- 5) appoint and dismiss employees of the Agency;
- 6) make decisions on other issues referred to the competence of the Agency, except those referred to the competence of the Board of Directors and the Board of Management.

Article 24. Accountability and reporting of the Agency

1. The reporting period for the Agency shall be set from January 1 to December 31 inclusive.
2. The annual report shall be prepared on annual basis no later than by February 15 of the year following the reported one. The Agency's Board of Directors shall approve the annual report by March 15.
3. The Agency's annual report shall be submitted to the Government of the Russian Federation and the Bank of Russia.
4. Summarized data of the Agency's annual report and balance sheet shall be published in the «The Bank of Russia Bulletin» and «Rossiyskay gazeta».
5. The Agency's annual report shall include:

- 1) report of the Agency operations for the passed reported period with the analysis of the DIS condition and use of the mandatory deposit insurance fund's resources;
 - 2) annual balance sheet of the Agency;
 - 3) cash flow statement of the mandatory deposit insurance fund;
 - 4) report on income (loss) gained from placement and/or investment of temporary idle funds of the Agency;
 - 5) the register of member banks.
6. The Agency's balance sheet, cash flow statement of the mandatory deposit insurance fund and report on income (loss) gained from placement and/or investment of temporary idle funds of the Agency shall be certified by an independent audit company.

Article 25. Audit of the Agency

1. The Board of Directors of the Agency shall annually select an audit company to review financial statements of the Agency.
2. The Agency's internal audit shall be carried out by its Internal Audit Department accountable to the Board of Directors of the Agency. Procedure for establishment and operations of the Internal Audit Department shall be set by the Board of Directors of the Agency.
3. The Board of Directors of the Agency shall be entitled to make decisions on conducting extraordinary audits of the Agency.

Article 26. Reorganization and Liquidation of the Agency

The Agency can be re-organized or liquidated in accordance with a federal law prescribing re-organization or liquidation procedure and use of the Agency's property.

Chapter IV. ORGANIZATIONAL ASPECTS OF THE DEPOSIT INSURANCE SYSTEM

Article 27. Interaction between the Agency and the Bank of Russia

1. Federal executive bodies, as well as regional entities of the Russian Federation, municipal governments and the Bank of Russia shall not be entitled to interfere with the Agency operations aimed at implementing its legally set functions and authority.
2. The Agency and the Bank of Russia shall coordinate their activities and inform each other on issues related to execution of deposit insurance actions.
3. With the purpose to ensure informational support of DIS operations, the Bank of Russia shall send to the Agency banks' statements and other information.
4. The Bank of Russia no later than on a business day following the respective decision date shall inform the Agency about:
 - 1) granting by the Bank of Russia of an autorisation to a bank;
 - 2) making a decision to conduct inspection of a bank based on the Agency's proposal;
 - 3) appointment of a provisional administration to manage a bank's affairs;

- 4) revocation (annulment) of the a bank's license by the Bank of Russia;
- 5) imposing a moratorium on meeting creditors' claims.
- 6) substitution of a bank's license by the Bank of Russia;
- 7) imposing a ban on accepting household deposits and opening bank accounts for individuals as set forth in article 48 of this Federal law;

4¹. Not later than within seven business days after the Bank of Russia made a relevant decision or received relevant information from its regional branch or an authorized body the Bank of Russia shall inform the Agency:

- 1) on invalidation of the bank's license to accept household deposits and open bank accounts for individuals;
- 2) on measures taken by the Bank of Russia against the bank which impose a ban (limitation) on accepting household deposits and opening bank accounts for individuals in accordance with article 74 of the Federal law «On the Central bank of the Russian Federation (the Bank of Russia)»;
- 3) on reorganization of the bank.

5. The Agency no later than on a business day following the respective decision date shall inform the Bank of Russia about the following:

- 1) inclusion of a bank in the register of member banks in accordance with this Federal law, as well as exclusion of a bank from the register;
- 2) changes in the insurance premium rates.

6. The Agency shall be entitled to submit proposals to the Bank of Russia about the following:

- 1) conducting an inspection of a bank by the Bank of Russia. The procedure of the Agency's employees participation in the above inspections, their rights and duties shall be set by regulations of the Bank of Russia upon agreement with the Agency;
- 2) imposing by the Bank of Russia of liability measures against a bank as set forth in federal laws. The Agency shall enclose documents containing justifications and grounds for imposing the above measures.

7. The Bank of Russia shall inform the Agency about its decision to conduct inspection and impose liability measures against the bank within 15 days from receipt of respective Agency proposal.

Article 28. Procedure for Registering and Terminating Registration in the Deposit Insurance System. The Register of member Banks.

1. Registration of a bank in the DIS shall be done by the Agency by making respective record in the register of member banks on the basis of the Bank of Russia's notification about licensing this bank
2. The Agency shall make a respective record into the register of member banks on the date of receipt of the Bank of Russia's notice as stated in part 1 of this article.
3. The Agency shall terminate registration of a bank in the following cases:

1) revocation (annulment) of a banking license by the Bank of Russia and completion by the Agency of deposit reimbursement as set forth in this Federal law;

2) upon termination of the bank's right to accept household deposits and open bank accounts for individuals in connection with substitution of the bank's license by the Bank of Russia or invalidation by the Bank of Russia in accordance with its regulation of the bank's license to accept household deposits and open bank accounts for individuals and fulfillment by the bank of its obligations to depositors. Simultaneously the bank shall be obligated to notify all depositors about its exit from the deposit insurance system;

3) termination of a bank's operations resulting from its re-organization (excluding reorganization in the form of transformation).

4. Information about registration and termination of a banks' registration shall be published by the Agency in the «The Bank of Russia Bulletin» and «Rossiyskaya Gazeta». The procedure for keeping the register of member banks shall be set by the Agency.

5. The Agency shall send information to a bank about its registration in the register of member banks or termination of registration, as well as insurance premium calculation and payment procedure no later than one day after the Agency made respective decision. The Agency shall regularly forward to banks needed information about the deposit insurance system.

6. Registration, inclusion and exclusion of banks from the register of member banks shall be free of charge.

Article 29. Receiving by the Agency of Banks' Reports and Other Information

1. Contents of reports and other information to be forwarded to the Agency by the Bank of Russia, as well as timing for sending this information shall be set by the Bank of Russia upon agreement with the Agency.

2. On issues related to banks' membership in the deposit insurance system, the Agency shall be entitled to request clarifications from banks related to information on payment of insurance premiums, accounting, formation of the register of liabilities to depositors, obligations of depositors to the bank, as well as executing by banks of other obligations set forth in this Federal law. Above clarifications shall be submitted by banks to the Agency within 15 days from receipt of respective Agency's request, unless the Agency requested different timing.

Article 30. Interaction between the Agency and a Bank in which the Insured Event Occurred

1. A bank in which the insured event occurred within 7 days from the insured event date shall submit to the Agency the register of the bank's liabilities to depositors in confirmation of accepting household deposits insured in accordance with this Federal law.

2. After the day of receipt by the Agency of a bank's register of liabilities to depositors and up to the day of an arbitration court decision on completion of the bankruptcy proceedings or forced liquidation of the credit institution, and in case of moratorium imposed by the Bank of Russia on meeting the bank creditors' claims up to the day of completion of the moratorium, the bank is obliged to make changes to the register of liabilities to depositors in following cases:

1) identification of mismatch between data in the register and actual mutual obligations of the bank and a depositor as at the date of insured event subject to reflection in the bank's register of liabilities to depositors;

2) termination (in full or in part), after the insured event occurrence, of liabilities included in the bank's register of liabilities to depositors.

2¹. Information on changes made in the bank's register of liabilities to depositors should be forwarded to the Agency at the day of making such changes in accordance with procedure established by the Agency, and it should be taken into account when amounts to be paid to depositors is determined.

3. The Agency shall be entitled to request from a bank in which the insured event occurred, any further information, including copies of documents, if information submitted in accordance with parts 1 and 2 of this article is insufficient to execute measures aimed at reimbursement of depositors. The bank in which the insured event occurred shall be obligated to submit the requested information within three business days from receipt of the Agency's request.

4. The Agency shall weekly advise the bank in which the insured event occurred about depositors who received reimbursement, amounts paid by the Agency and deposits which were reimbursed.

Article 31. Business, Commercial and Banking Secret

1. The Agency shall be entitled to receive information related to banks in which the insured event occurred, constituting commercial, business or banking secret, to the extent it is needed to fulfill functions set forth by this Federal law.

2. The Agency shall be obligated to submit information that became available about bank's operations, deposits, accounts, financial condition, as well as any other data constituting commercial or banking secret to the court or the Bank of Russia upon request.

3. If the Agency or its employees disclosed information constituting commercial, business and banking secret, a person whose rights were infringed, shall be entitled to request that Agency compensate for the losses in accordance with the legislation of the Russian Federation.

Article 32. Participation of Agency Employees in Bank Inspections

The Bank of Russia shall request the Agency employees to participate in inspections on issues related to bank deposit liabilities' size and structure, payment of insurance premiums, as well as executing by banks other obligations set forth in this Federal law.

Chapter V. FINANCIAL FOUNDATION OF DEPOSIT INSURANCE SYSTEM

Article 33. The Mandatory Deposit Insurance Fund

1. The mandatory deposit insurance fund is the combination of funds and other property formed and used in accordance with this Federal law.

2. The mandatory deposit insurance fund is owned by the Agency by title and designated to fund deposit reimbursements according to the procedure and on conditions set forth in this Federal law.

3. The mandatory deposit insurance fund shall be separated from any other Agency property. The fund shall be accounted by the Agency on a separate balance sheet using separate bookkeeping procedure.

4. The mandatory deposit insurance fund's reserves shall be kept on a specially opened Agency account with the Bank of Russia. The Bank of Russia shall not pay interest on funds balances left on the above account.

5. The mandatory deposit insurance fund shall not be liable for obligations of the Russian Federation, regional and municipal entities, banks and third parties, as well as the Agency's obligations, except cases when such obligations arose in connection with non-fulfillment by the Agency of its obligations

on reimbursement of insured depositors. Such recovery shall be executed only based on court decision.

Article 34. Sources of Formation of the Mandatory Deposit Insurance Fund

1. The mandatory deposit insurance fund shall be formed out of:

- 1) insurance premiums paid in accordance with this Federal law;
- 2) penalties imposed for partial and/or untimely payment of premiums to the mandatory deposit insurance fund;
- 3) funds and other property received as a result of satisfaction of claims acquired by the Agency as a result of deposit reimbursement;
- 4) funds from the federal budget in cases as set forth in this Federal law;
- 5) income derived from placement (investment) of temporarily idle funds of the mandatory deposit insurance fund;
- 6) initial property contribution in accordance with article 50 of this Federal law;
- 7) other earnings not prohibited by the legislation of the Russian Federation.

Article 35. Insurance Premiums

1. Insurance premiums shall be uniform for all banks and to be paid by every bank starting the date of inclusion of the bank in the register of member banks and through the date of revocation (annulment) of the bank's license by the Bank of Russia, or exclusion of the bank from the register of member banks in accordance with points 2, 3 of part 3 of article 28 of this Federal law.

2. The first calculation period for payment of insurance premiums shall be the period from the day of a bank's inclusion in the register of member banks through the last day of the calendar quarter during which the bank was included in the register of member banks.

3. Imposition by the Bank of Russia of a moratorium on meeting claims of creditors of a credit institution shall suspend payment of insurance premium during the moratorium. In this case a bank shall be obligated to pay insurance premium for the calculation period up to the day preceding the moratorium imposition date.

Article 36. Procedure for Calculation and Payment of Insurance Premiums

1. The calculation period for banks to pay insurance premiums shall be a calendar quarter.

2. The calculation base for calculation of insurance premiums (hereinafter referred to as «the calculation base») shall be determined as the average chronological daily balance of household deposits except deposits that are not covered by insurance in accordance with this Federal law.

3. With regard to deposits denominated in foreign currency, the average daily balance shall be included in calculation in ruble equivalent based on the official exchange rate set by the Bank of Russia.

4. The rate of insurance premium shall not exceed 0.15% of the calculation base for the latest calculation period.

5. In cases as set forth by this Federal law, the rate of insurance premiums can be increased to 0.3% of the calculation base, but no longer than for two calculation periods during 18 months.
6. Insurance premium rate cannot exceed 0.05% of the calculation base from the calculation period following the one when the total funds of the mandatory deposit insurance fund, including funds invested by the Agency according to the procedure set forth in this Federal law, exceeded 5% of the aggregate amount of banks' deposits.
7. The Board of Directors of the Agency shall set insurance premium rate for banks. If the insurance premium rate is changed, the new rate shall be introduced no sooner than 45 days after respective decision is made.
8. The decision on setting the insurance premium rate shall be published in the «The Bank of Russia Bulletin» and «Rossiyskaya Gazeta» no later than 5 days after the decision is made.
9. The Agency shall establish a procedure for determining the calculation base. If the procedure is changed, the new procedure shall be applied as of the next calculation period. Banks shall be informed about a new calculation procedure no later than 30 days before it starts being applicable.
10. Banks shall conduct the insurance premium calculation themselves.
11. Payment of insurance premium shall be effected within 25 days from the end of a calculation period by remittance to the Agency account opened with the Bank of Russia where the mandatory deposit insurance fund's resources are placed.
12. Obligation of a bank to pay insurance premium shall be considered executed as of the date when funds are written off from the bank's correspondent account with the Bank of Russia.
13. Insurance premium (fines) amount paid for the calculation period in excess of the set level shall be taken into account as part of payments due for other calculation periods or future payments, or shall be returned if the bank's obligation to pay insurance premium is terminated in accordance with article 35 of this Federal law.
14. Payment of insurance premiums shall be effected in the currency of the Russian Federation.
15. Payment of insurance premiums shall be automatically suspended by banks starting the calculation period following the one when the total funds of the mandatory deposit insurance fund, including funds invested by the Agency according to the procedure set forth in this Federal law exceeded 10% of the aggregate amount of banks' deposits.
16. Payment of insurance premiums shall automatically recommence starting the calculation period following the one when the total funds of the mandatory deposit insurance fund, including funds invested by the Agency according to the procedure set forth in this Federal law fall below 10% of the aggregate amount of banks' deposits.

Article 37. Execution by Banks of their Obligation to Pay Insurance Premiums

1. Fines shall be imposed on banks for untimely or incomplete payment of the insurance premium to the mandatory deposit insurance fund.
2. A fine is understood as set by this Article amount of money that a bank will be obligated to pay in addition to insurance premium for delayed payment of the insurance premium.
3. The Agency shall be entitled to request that banks transfer delayed insurance premium with accrued fine and inform the Bank of Russia thereof.

4. The fine shall accrue for each calendar day of the delay starting the date following the set payment date.

5. The fine per each day of the delay shall accrue in percentage of non-paid insurance premium amount. The fine per one day of the delay shall be equal to the Bank of Russia refinancing rate valid during the respective period and divided to 360 calendar days.

6. The Agency shall be entitled to enforce non-paid premium with the fines through courts. The recovered amounts shall be transferred to the Agency's account with the Bank of Russia where the mandatory deposit insurance fund's resources are placed.

Article 38. Placement and/or Investment of Temporarily Idle Mandatory Deposit Insurance Fund's Resources

1. Placement and/or investment of temporarily idle funds of the mandatory deposit insurance fund shall be effected with the purpose to develop the deposit insurance system. The above investment shall be effected based on principles of recoverability, profitability and liquidity of purchased financial instruments.

2. The Board of Directors of the Agency shall annually set types, procedures and terms for placement and/or investment of temporary idle resources of the mandatory deposit insurance fund, as well as the upper limit for the volume of investments.

3. Temporarily idle resources of the mandatory deposit insurance fund can be placed and/or invested in the following instruments:

1) government bonds of the Russian Federation;

2) government bonds of regional entities of the Russian Federation;

3) securities of Russian issuers in addition to those stated in points 1 and 2;

4) shares of Russian issuers incorporated as open joint stock companies;

5) shares of index investment funds investing in foreign government bonds and securities of foreign issuers;

6) mortgage securities issued in accordance with the Federal law «On Mortgage Securities»;

7) securities issued by countries that are members of the OECD;

8) deposits and securities of the Bank of Russia;

4. Temporarily idle resources of the mandatory deposit insurance fund shall not be invested in instruments that are not directly prescribed in this Federal law.

5. Temporarily idle resources of the mandatory deposit insurance fund cannot be invested in securities of issuers subject to pre-trial rehabilitation or bankruptcy (observation, provisional (external) administration, bankruptcy proceedings) in accordance with the bankruptcy legislation of the Russian Federation, or if the above procedures were applicable during the preceding two years.

6. Investment in securities of temporary idle resources of the mandatory deposit insurance fund shall be permitted only if:

1) they are in circulation on the securities market, or issued by the Russian Government specifically for institutional investors - for those mentioned in point 1 of part 3 of this article;

2) they are in circulation on the organized securities market and comply with criteria set forth by federal executive body authorized by the Russian Government - for those mentioned in points 2 to 4 and 6 of part 3 of this article;

7. Time transactions (securities options, futures and forwards) shall be permitted only for hedging purposes in accordance with federal legislation.

8. Financial instruments purchased at the expense of deposit insurance Fund's resources shall be the Fund's integral part and should be reflected on its balance sheet.

Article 39. Designation of Deposit Insurance Fund's Resources

Deposit insurance Fund's resources shall be designated by Agency to fund deposit repayment process, as well as for expenses incurred in connection with execution of deposit insurance functions and other purposes in accordance with this Federal law.

Article 40. Funding the Agency's Expenses

1. The Agency's expenses on implementation of measures relating to its operations on the mandatory deposit insurance and fulfillment of other functions envisaged by the Federal law «On Banks and Banking» and the Federal law «On Insolvency (Bankruptcy) of Credit Institutions» shall be funded at the expense of the Agency's property.

2. If the above property is insufficient for funding the Agency's deposit insurance activities, upon the Board of Directors of the Agency proposal funding of these operations can be effected at the expense of the Reserve (Stabilization) Fund of the Russian Federation Government.

Article 41. Securing Deposit Insurance System Financial Sustainability

1. Financial sustainability of the deposit insurance system shall be secured by the Agency's property, as well as by the federal budget funds according to the procedure and on conditions set forth in this Federal law and the budget legislation of the Russian Federation.

2. To secure sustainability of the deposit insurance system the Federal law on the federal budget for a respective year shall stipulate the right of the Russian Federation Government to provide loans from the state budget and effect borrowings, the limit of above borrowings as well as limitations of respective expenses from federal budget.

3. If the Board of Directors of the Agency approves a decision of the Board of Management about the deficit of the mandatory deposit insurance fund and impossibility to effect deposit reimbursements within time limits set by this Federal law, without replenishing the fund with additional resources (except insurance premiums and other planned earnings), the Board of Directors within no more than 7 days from the insured event date shall make one of the following decisions:

1) to request the Russian Federation Government to designate respective funds to the Agency as non-interest budget loan, if according to the Agency's calculation the deficit of the mandatory deposit insurance fund does not exceed 1 billion rubles. The Government of the Russian Federation shall make respective decision within no longer than 7 calendar days;

2) to request the Russian Federation Government to allocate additional funds from the federal budget to the Agency, if according to Agency's calculation the deficit of the mandatory deposit insurance fund exceeds 1 billion rubles. If the Government of the Russian Federation is unable to allocate the requested funds, it shall within its competence submit to the State Duma a draft federal law on making

respective amendments to the federal law on the federal budget for a respective year. The above presentation to the State Duma shall take place within 7 calendar days from the day of receipt of the Agency Board of Directors' request.

4. With the purpose of restoration of the mandatory deposit insurance fund the Board of Directors of the Agency shall be entitled to set increased insurance premiums in accordance with this Federal law.

Article 42. Control of the Deposit Insurance System Operations

1. The Bank of Russia and the Government of the Russian Federation shall control the deposit insurance system operations through their designated representatives in governing bodies of the Agency.

2. The Board of Directors of the Agency shall annually select by tender an audit company to audit the use by the Agency of funds of the deposit insurance fund.

3. Control of the use of federal budget funds allocated to the deposit insurance fund shall be conducted according to the procedure set for the use of federal budget funds.

Chapter VI. PARTICIPATION OF BANKS IN THE DEPOSIT INSURANCE SYSTEM: FINAL PROVISIONS

Article 43. Specifics of Registration in the Deposit Insurance System of Banks that have the Authorization of the Bank of Russia as at the Date of Enactment of This Federal Law

1. A bank that has the authorization of the Bank of Russia as at the date of enactment of this Federal law shall be registered with the deposit insurance system by the Agency by means of its inclusion in the register of member banks based on the Bank of Russia's notification about the bank's compliance with requirements stated in article 44 of this Federal law.

2. The Agency shall include a bank in the register of member banks no later than on the business day following the receipt of the Bank of Russia's notification stated in part 1 of this article.

3. Deposits in a bank that has the authorization of the Bank of Russia as at the date of enactment of this Federal law shall be insured according to procedures set forth in this Federal law as of the day of the bank's registration in the register of member banks.

Article 44. Requirements to Membership of Banks in the Deposit Insurance System 1. A bank that has the authorization of the Bank of Russia as at the date of enactment of this Federal law or applying for the Bank of Russia's authorization shall be considered as complying with requirements to membership in the deposit insurance system, if it simultaneously meets the following conditions:

1) if the bank's accounting and reporting are acknowledged by the Bank of Russia as reliable;

2) if the bank fulfills mandatory regulatory ratios set by the Bank of Russia;

3) if the bank's financial sustainability is recognized by the Bank of Russia as adequate;

4) if measures stipulated by article 74 of the Federal law «On the Central Bank of the Russian Federation (The Bank of Russia), as well as by article 20 of the Federal law «On Banks and Banking», and article 3 of the Federal law «On Insolvency (Bankruptcy) of Credit Institutions» have not been imposed against the bank and there are no grounds for their imposition based on the results of examination conducted by the Bank of Russia in accordance with part 4 of article 45 of this Federal law.

2. Accounting and reporting of a bank shall be considered reliable by the Bank of Russia, if simultaneously:

1) accounting and reporting practices comply with federal laws, regulations and rules set by the Bank of Russia as well as internal accounting policy of the bank;

2) possible weaknesses and errors in accounting/reporting do not have a significant effect on bank's financial sustainability.

3. Financial sustainability of a bank shall be assessed by the Bank of Russia by groups of indicators listed in part 4 of this article arriving at summary «satisfactory» or «unsatisfactory» result with respect to each group. The Bank of Russia shall acknowledge financial sustainability as adequate if a bank has «satisfactory» for all groups of indicators.

4. To assess financial sustainability of a bank, the following groups of criteria shall be used:

1) a group of indicators characterizing a bank's capital that includes capital adequacy and quality indicators;

2) a group of indicators characterizing a bank's assets that includes indicators of quality of loans and other assets, loan loss provisions, risk concentration, including credit risk exposure to shareholders and insiders;

3) a group of indicators characterizing a bank's a bank's management, operations and risk management, including property structure transparency, operation of risk management system, including control of currency position, as well as internal controls including the system for combating money laundering and financing terrorism;

4) a group of indicators characterizing a bank's earnings, including asset and capital profitability indicators, structure of income and expense, profitability of specific operations and a bank as a whole;

5) a group of indicators characterizing a bank's liquidity, including indicators of asset liquidity, liquidity and the structure of liabilities, overall liquidity, risk exposure to large creditors and depositors;

6) a bank's compliance with rules established by the Bank of Russia in respect to unrestricted public disclosure of information on persons that have substantial influence (direct or indirect) on decisions taken by its governing bodies.

5. The composition of indicators named in this article, their calculation methodology and procedure of arriving at summary results shall be set forth in a regulation of the Bank of Russia and published in «The Bank of Russia Bulletin» no later than a month after enactment of this Federal law.

Article 45. The Procedure for the Bank of Russia to Make Judgment Banks' Compliance with Requirements to Membership in the Deposit Insurance System (for Banks that have the Bank of Russia Authorization at the Date of Enactment of This Federal Law)

1. A bank that has the Bank of Russia's authorization at the day of enactment of this Federal law that made a decision to join the deposit insurance system shall be entitled within no longer than 6 months from the enactment of this Federal law to submit their application to the Bank of Russia to make a judgment on its compliance with requirements to membership in the deposit insurance system (hereinafter also referred to as the judgment).

2. The Bank of Russia shall make the judgment within a period not exceeding nine months from the day of receipt of a bank's application (hereinafter referred to as the application).

3. Review by the Bank of Russia of banks' applications and making judgments on them shall be completed within a period not exceeding 15 months from the day of enactment of this Federal law.
4. Review of banks applications by the Bank of Russia shall consist of the following stages:
 - 1) preliminary analysis of a bank's compliance with requirements to membership in the deposit insurance system;
 - 2) a special inspection of a bank with the purpose to assess reliability of its accounting and reporting practices, as well as to identify issues related to assessment of the bank's compliance with requirements to membership in the deposit insurance system that cannot be identified by off-site supervision techniques;
 - 3) final analysis of results including calculation of all criteria;
 - 4) making a positive or negative judgment.
5. Parts 5 and 6 of article 73 of the Federal law «On the Central Bank of the Russian Federation (The Bank of Russia)» shall not be applicable to inspections conducted in banks in accordance with this Federal law.
6. If the Bank of Russia makes a negative judgment, a bank after eliminating detected discrepancies shall be entitled to submit a follow-up application to the Bank of Russia, except cases when there are grounds to revoke its banking license in accordance with federal laws.
7. The follow-up application shall be submitted by banks within the time period not exceeding 16 months from the day of enactment of this Federal law.
8. Consideration by the Bank of Russia of a follow-up application and making a judgment on it shall be completed within the time period not exceeding 21 months from the day of enactment of this Federal law.
9. It is not allowed for a bank to submit the application to the Bank of Russia more than twice.
10. The judgment shall be made by the Bank of Russia's Banking supervision Committee.
11. The Bank of Russia shall send its positive or negative judgment to a bank no later than one business day after the decision is made.
12. A bank within one month after the Bank of Russia made a negative judgment on its follow-up application shall be entitled to appeal the above judgment in the Bank of Russia's Banking supervision Committee. If a negative judgment is confirmed by the above committee, a bank shall be entitled to appeal with the Chairman of the Bank of Russia within a month from receipt of the confirmed negative judgment.
13. The Bank of Russia's Banking supervision Committee and the Chairman of the Bank of Russia shall be obligated to review the appeal of the bank within one month from its receipt.
14. Procedure for review by the Bank of Russia of applications and appeals from banks shall be set by a regulation of the Bank of Russia and published in «The Bank of Russia Bulletin» no later than a month after enactment of this Federal law.
15. The Bank of Russia shall send notification to the Agency about its positive judgment no later than on the following business day after the decision was made.

Article 46. Consequences Arising in Connection with Refusal of a Bank that has the Bank of Russia Authorization at the day of Enactment of This Federal Law to Join the Deposit Insurance System

1. For the purposes of this Federal law, refusal from membership in the deposit insurance system shall be considered as follows:

- 1) failure by a bank to submit an application to the Bank of Russia within 6 months from the enactment of this Federal law;
- 2) submission by a bank to the Bank of Russia of a notification on refusal to work in the area of accepting household deposits, as well as opening and keeping bank accounts for individuals.

2. The Bank of Russia with regard to banks that refused to join the deposit insurance system in accordance with part 1 of this article, shall be obligated:

1) Upon expiration of 21 months from the day of enactment of this Federal law, to impose a prohibition for such banks to accept household deposits and open bank accounts. The above prohibition shall be in force until the right of a bank to accept household deposits is terminated, or its banking license is revoked in accordance with the procedure set forth in this Federal law and regulations of the Bank of Russia adopted in connection therewith;

2) As of the date when a bank refused to join the deposit insurance system, but no later than 21 months from the day of enactment of this Federal law, the Bank of Russia shall require such a bank to submit a request about termination of its right to work with individuals.

3. Banks that are requested by the Bank of Russia in accordance with part 2 of this article, shall be obligated within 30 days to request that the Bank of Russia terminate their right to accept household deposits according to the procedure set forth in regulations of the Bank of Russia.

4. Banks that submitted requests to the Bank of Russia about terminating their right to accept household deposits shall not be entitled to accept from individuals deposits and additional funds on bank accounts as of the above request date. Information thereof shall be put in the bank's premises where it provides services to its household customers.

5. Bank account and/or deposit agreements with individuals concluded by a bank before the Bank of Russia prohibition was imposed shall not be cancelled, except when account/deposit owner requested cancellation of the above agreements. Additional funds that arrived in a deposit (account) starting the day when the Bank of Russia imposed the above ban, except interest accrued in accordance with terms of a bank deposit (bank account) agreement, shall not be entered into the deposit (account) and shall be returned to persons that ordered the transfer of funds to the deposit (account) or, based on a request of the individual, shall be transferred to an account of this particular individual in another insured bank in accordance with procedure established by the Bank of Russia.

6. Banks on a day of the Bank of Russia imposition of a prohibition according to part 2 of this article, shall be obligated to place information about termination of its right to accept individuals' money into deposits and/or open bank accounts, as well as about absence of right to conclude new bank account and/or deposit agreements with individuals. The above information should be placed in bank's premises where it provides services to its household customers.

7. If a bank fails to fulfill obligations set forth by parts 4 to 6 of this article, the Bank of Russia shall be obligated to impose liability measures against the bank set forth in the Federal law «On the Central Bank of the Russian Federation (The Bank of Russia)», in Federal law «On Banks and Banking», and other federal laws.

Article 47. Consequences of the Bank of Russia Negative Judgment

1. For the purposes of this Federal law a bank shall be acknowledged as non-complying with requirements to membership in the deposit insurance system, if:

1) the bank failed to submit a follow-up application within the time period set forth in parts 6 to 8 of article 45 of this Federal law;

2) The Bank of Russia has made a negative judgment on the bank's follow-up application and after the review of the appeal.

2. The Bank of Russia within a month from the day of making the negative judgment on a bank's follow-up application, or within a month after expiration of time period given to submit the follow-up application, but no later than 21 months from the day of enactment of this Federal law, shall be obligated:

1) to require such a bank to submit a request about terminating its right to accept household deposits;

2) impose prohibition to accept household deposits and open bank accounts for individuals that will be in force until the right to accept deposits is terminated, or banking license is revoked in accordance with the procedure set forth by this Federal law and regulations of the Bank of Russia adopted in connection therewith.

3. A bank that was acknowledged by the Bank of Russia as non-complying with requirements to membership in the deposit insurance system according to part 1 of this article, shall be obligated within a month from the day of imposition by the Bank of Russia of prohibition to accept household deposits and open bank accounts for individuals to submit request to the Bank of Russia about termination of its right to work with individuals.

4. Bank account and/or deposit agreements concluded by a bank with individuals prior to the above imposition shall not be cancelled, except when a deposit (account) owner requested the above cancellation. Additional funds shall not be accepted from individuals except interest accrued in accordance with account or deposit agreements and shall be returned to persons that authorized such placement of funds into bank deposit/account or based on a request of the individual shall be transferred to an account of this particular individual in another insured bank in accordance with procedure established by the Bank of Russia.

5. Banks on a day of the Bank of Russia imposition of a prohibition according to part 2 of this article, shall be obligated to place information about termination of their right to accept individuals' resources into deposits and/or open bank accounts, as well as about absence of right to conclude new bank account and/or deposit agreements with individuals. The above information should be placed in bank's premises where they provide services to household customers.

6. If a bank failed to fulfill obligations set by parts 3 to 5 of this article, the Bank of Russia shall be obligated to impose liability measures against the bank set forth in the Federal law «On the Central Bank of the Russian Federation (The Bank of Russia)», in Federal law «On Banks and Banking», and other federal laws.

Article 48. Consequences of Non-compliance of Banks Included in the Register of Member Banks with Requirements to Membership in the Deposit Insurance System

1. Banks that are included in the register of member banks shall be obligated to comply with requirements to membership in the DIS set forth in article 44 of this Federal law subject to provisions established in this article.

2. In accordance with the Russian Federation legislation the Bank of Russia shall exercise supervision over banks' compliance with requirements stated in part 1 of this article.

3. A bank is perceived as not complying with requirements to membership in the DIS in cases when:

- 1) the bank's accounting records and reports are recognized by the Bank of Russia not trustworthy for three consequent months;
- 2) the bank for six subsequent months does not comply with a certain particular mandatory ratio or requirement established by the Bank of Russia. Non-compliance of a mandatory ratio or requirement at least for six business days within a reporting month shall be considered as non-compliance for the whole reporting month;
- 3) financial sustainability of the bank is recognized by the Bank of Russia insufficient;
- 4) for three subsequent months one of the measures set forth in point 4 of second part of article 74 of the Federal law «On the Central bank of the Russian Federation (the Bank of Russia)» is applied to the bank.

3¹. For the purposes of this article a bank's financial sustainability is recognized by the Bank of Russia insufficient in cases when:

- 1) for six subsequent reporting months or two subsequent quarter reporting dates the bank is categorized as "deficient" on a certain particular group of indicators set forth in points 1, 2 and 5 of part 4 of article 44 of this Federal law;
- 2) for three subsequent months the bank is categorized as "deficient" on a group of indicators set forth in points 3 and 6 of part 4 of article 44 of this Federal law;
- 3) for two subsequent quarter reporting dates the bank is categorized as "deficient" on a group of indicators set forth in point 4 of part 4 of article 44 of this Federal law.

3². Compliance of a bank included in the register of member banks with requirements to membership in the DIS is determined on the basis of results of inspections or documentary examination of the banks reports as well as documented evidences received from the bank. In case the identified in the course of an inspection or documentary examination deficiencies that cause violation of requirements set forth in points 1, 2 or 3 of part 1 of article 44 of this Federal law have been corrected before the date of their identification or in the course of inspection which identified them, or corrected before the date when the Bank of Russia considered a question of imposing a bank on accepting of household deposits and opening of bank accounts for individuals, the bank is recognized as complying with requirements set forth in points 1, 2 and 3 of part 1 of article 44 of this Federal law.

3³. In case a bank's non-compliance with requirements to membership in the DIS on grounds set forth in parts 3 and 3¹ of this article, the Bank of Russia in accordance with decision taken by its Banking supervision Committee shall:

- 1) send to the bank a request to submit an application to terminate its right to work with household deposits;
- 2) impose a ban on accepting by the bank of household deposits and opening of bank accounts for individuals, which will be effective through the day of termination of this bank's right to work with household deposits in accordance with provisions set forth in this Federal law and the Bank of Russia regulations issued in accordance with it, or through the day of revocation of the bank's license by the Bank of Russia for accepting household deposits and opening bank accounts for individuals.

3⁴. The Bank of Russia in case of identification of threat to interests of creditors and depositors resulting from a bank's operations can, in accordance with decision taken by its Banking supervision Committee, make decisions envisaged by part 3³ of this article in cases when:

- 1) accounting records and reports of the bank are recognized not trustworthy;
- 2) the bank for two subsequent months does not comply with a certain particular mandatory ratio or requirement established by the Bank of Russia;
- 3) the bank for two subsequent month is categorized as “deficient” on a certain particular group of indicators set forth in points 1, 2 and 5 of part 4 of article 44 of this Federal law.

4. A bank in relation to which in accordance with parts 3³ and 3⁴ of this article the Bank of Russia imposed a ban on accepting household deposits and opening bank accounts for individuals shall, within thirty days after this ban was imposed, submit to the Bank of Russia in accordance with the procedure established by the Bank of Russia’s regulations a request about termination of the bank’s right to work with individuals.

5. Bank account and/or deposit agreements concluded by a bank with individuals prior to the above imposition shall not be cancelled, except when a deposit (account) owner requested the above cancellation. Additional funds that arrived in a deposit (account) day starting the day when the Bank of Russia imposed the above ban, except interest accrued in accordance with terms of a bank deposit (bank account) agreement, shall not be entered into the deposit (account) and shall be returned to persons that ordered the transfer of funds to the deposit (account) or, based on a request of the individual, shall be transferred to an account of this particular individual in another insured bank in accordance with procedure established by the Bank of Russia.

6. Banks after the Bank of Russia imposition of a prohibition according to parts 3³ and 3⁴ of this article, shall be obligated to place information no later than the next business day about termination of their right to accept individuals’ resources into deposits and/or open bank accounts, as well as about absence of right to conclude new bank account and/or deposit agreements with individuals. Above information should be placed in bank’s premises where they provide services to their household customers.

7. If a bank failed to fulfill obligations set by part 3 of this article, the Bank of Russia shall be obligated to impose liability measures against the bank set forth in the Federal law «On the Central Bank of the Russian Federation (The Bank of Russia), in Federal law «On Banks and Banking», and other federal laws.

8. If a bank refused to join the deposit insurance system in accordance with article 46 of this Federal law, it shall be entitled to request that the Bank of Russia granted an authorization or cancelled the prohibition on accepting household deposits and opening bank accounts for individuals no sooner than 2 years after the day of enactment of this Federal law.

9. A bank that received negative judgment in accordance with article 47 of this Federal law or recognized as non-complying with requirements to membership in the DIS shall be entitled to request the Bank of Russia to grant an authorization or cancelling the prohibition on accepting household deposits and opening bank accounts to individuals no sooner than 2 years after the day of enactment of this Federal law. The day of termination of a bank’s right to work with household deposits means the day when the bank’s license on accepting of household deposits and opening of bank accounts for individuals was recognized invalid in accordance with a regulation by the Bank of Russia.

Article 49. Specifics of Reimbursement of Deposits placed with the DIS Member Banks in which the Bank of Russia has Equity Interest

1. Reimbursement of household depositors in excess of the coverage limit set forth in this Federal law placed under banking deposit agreement or bank account agreements executed before October 1, 2004 in credit institutions with the Bank of Russia participating in their capital, if such agreements have not been changed or amended after September 30, 2004, shall be guaranteed by vicarious liability of

the Russian Federation in accordance with the procedure prescribed in article 399 of the Civil Code of the Russian Federation until January 1, 2007.

Article 50. Property Contribution of the Russian Federation

1. Property contribution of the Russian Federation to the Agency's property shall be effected by transfer of 3 billion rubles from the State Corporation «Agency for Restructuring of Credit Organizations». Out of this amount 2 billion rubles shall be allocated to the mandatory deposit insurance fund and 1 billion rubles - to establish the Agency's resources for implementing actions set forth in this Federal law, the Federal law «On Banks and Banking» and the Federal law «On Insolvency (Bankruptcy) of Credit Institutions».

2. Property contribution stated in part 1 of this article shall be effected in cash and/or government securities with their market value estimation within 6 months from the day of enactment of this Federal law.

3. Funds received by the State Corporation «Agency for Restructuring of Credit Organizations» upon completion of its restructuring projects and based on its Board of Directors' decisions shall be contributed to Agency as property contributions of the Russian Federation.

Article 51. Enactment of This Federal Law

1. This Federal law shall be enacted as of its official publication date.

2. The Government of the Russian Federation and the Bank of Russia within ten days from the day of enactment of this Federal law shall designate their respective candidates to represent them in the Board of Directors of the Agency.

President
of the Russian Federation
V.PUTIN
Moscow, Kremlin
December 23, 2003
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