

Information about the Deposit Insurance Fund

1. DEPOSIT INSURANCE FUND

The Deposit Insurance Fund (the "Fund") provides compensation to holders of deposits at banks and building societies which are unable to meet their obligations. It commenced operations on 1 January 1995 and is governed by Act No 21/1992, as amended (the "Act").

2. CONDITIONS FOR THE AWARD OF COMPENSATION FROM THE FUND

Subject to identification requirements laid down in the Act, insurance covers all claims associated with deposits, including recorded interest, in the Czech currency or foreign currency, registered as credit balances in accounts or passbooks or confirmed by a deposit certificate or other similar document.

The system for the insurance of deposit claims does not apply to bills and other securities.

Insurance does not cover claims in respect of the deposits of banks and foreign banks, financial institutions, health insurers and central government funds. This does not apply in cases where the funds of multiple clients are registered in a single account in accordance with Section 41(f) of the Act.

Persons in a special relationship with a bank (except persons referred to in Section 19(e) of the Act) and holders of deposits created in connection with money laundering related to the proceeds of a crime for which they have been convicted in criminal proceedings are not eligible for compensation for deposit claims from the Fund. The Fund also suspends payment of compensation for those deposit claims which are clearly shown to be claims in respect of deposits from money laundering in the course of criminal proceedings.

Beneficiaries are awarded compensation up to an amount equivalent to EUR 100,000 per beneficiary per bank, except where otherwise provided by directly applicable European Community legislation. The equivalent of the limit in Czech crowns is translated according to the exchange rate published by the Czech National Bank as at the date on which the Fund is served in writing with the Czech National Bank's notice of a bank's inability to meet its liabilities to beneficiaries under legal and contractual conditions ("Notice").

The Notice must be issued by the Czech National Bank no later than five working days after the relevant facts are discovered. The date on which the Fund receives the Notice is regarded as the reference date.

Within 12 working days of the reference date, the Fund sets a compensation commencement date, place and method, publishes them in an appropriate manner and informs the Ministry of Finance and the Czech National Bank of this. The Fund must be capable of paying compensation to the beneficiaries within 20 working days from the reference date.

In highly exceptional cases, the Fund may extend this period by up to 10 working days further to permission from the Czech National Bank and the Ministry of Finance. The bank, or former bank, the liquidator or insolvency practitioner must provide the Fund with the documents required to initiate the payment of compensation for deposit claims within eight working days of the reference date. The documents must contain information on the amount of, and reason for, the insured claims, and the identity of the depositor.

To calculate the compensation, all a beneficiary's insured deposit claims at the bank are added together, including shares in accounts held for two or more joint holders, based on the balance as at the reference date. The share of the joint holder of an account is equal to a fraction where the numerator is the total amount in the account and the denominator is the number of joint holders, unless beneficiaries document a different share when setting up or using the account. The bank indicates any different share in its records. Proof of different shares is disregarded after the reference date. The calculation is performed in the Czech currency; for foreign-currency deposit claims, the translation into Czech currency is carried out in accordance with the exchange rate published by the Czech National Bank as at the reference date. Insured deposit claims are inclusive of interest calculated as at the reference date. Compensation is paid in Czech currency. A beneficiary's right to consideration from the Fund is a right associated with a deposit claim.

When opening an account or when next using an already existing account, the account holder must notify the bank in writing that funds are registered in the account representing a claim of more than one person, evidence the share of each such person, identify these persons to the extent required by law, and proof the veracity of the information. The funds of more than one person registered in a single account are classified as a special deposit claim. The bank handles deposits in this account as it would any other insured deposit claim and records the deposit information in its records.

For the purposes of calculating compensation from the Fund for claims related to the deposit in the account, the bank must provide the Fund with a breakdown of deposit claims by person and the amount per person, and must prove the veracity of this information. This information is delivered to the Fund.

Compensation for special deposit claims is awarded to beneficiaries at the same amount that would have been awarded if each of these persons' funds were recorded in a separate account.

If the ultimate owner of monies is not the account holder, compensation is awarded to the ultimate owner. The account holder must notify this fact to the bank upon opening or subsequently using an account, and must identify the ultimate owner of the funds to the extent required by law. The bank registers this information in the account agreement or in another deposit receipt document, and in its records.

Any depositor notification of an ultimate owner or group of owners in the case of special deposits, made after the reference date is disregarded.

The place and manner of payment of compensation from the Fund is set by the Fund in agreement with the Ministry of Finance and the Czech National Bank.

For the purposes of calculating the amount to be paid from the Fund to a beneficiary, gains in insured deposit claims arising on the basis of intra-bank transfers between accounts held at the same bank or as a result of the assignment of a deposit claim after the reference date are not taken into consideration.

As at the date of commencement of payments, the beneficiary's claim against the bank is reduced by an amount equal to the beneficiary's right to compensation from the Fund. On this day, the Fund becomes the bank's creditor in respect of the rights of the bank's beneficiaries to consideration from the Fund.

A beneficiary's right to consideration from the Fund shall become statute-barred upon the lapse of three years as of the date set as the date of commencement of payments.