

THE LAW OF THE KYRGYZ REPUBLIC

On banks and banking activity in Kyrgyz Republic

Chapter I General provisions

Article 1. Concept of Bank

1. In the Kyrgyz Republic, bank is a financial institution created for attracting deposits from individuals and legal entities and other funds, and allocation on their behalf, based on terms of returnability, payability, within the restricted period of time, and for settlements in accordance with the clients' instructions.

2. Bank is a legal entity created in the form of a joint stock company and implementing its activity in compliance with the legislation of the Kyrgyz Republic, based on the license, issued by the National (Central) Bank of the Kyrgyz Republic.

3. Term "Bank" or a word combination with this term may be used in a firm name and for advertising purposes only by institutions with the right to carry out banking operations in compliance with this Law and the Law of the Kyrgyz Republic "On National bank of the Kyrgyz Republic".

Article 2. Concept of Deposit

1. Deposit is an amount received by one person from another based on the terms of returnability (regardless of whether it is a full or partial returnability or returnability of a larger amount).

The persons without appropriate license of the National (Central) Bank of the Kyrgyz Republic shall have no right to accept deposits or use the term "deposit" in their denomination.

2. A person who is not a bank may attract non-deposit funds only in cases when these funds:

- 1) are received from banks and other persons which activity is granting loans;
- 2) were accepted by one individual from another individual on the terms of loan;
- 3) were accepted from foreign or international financial institutions;
- 4) were accepted by insurance companies or social (pension) funds, in compliance with the legislation of the Kyrgyz Republic;
- 5) were accepted by means of issuance of securities in compliance with the effective legislation, governing operations with securities;
- 6) were accepted by specialized companies, in compliance with the legislation of the Kyrgyz Republic, provided that a license was issued for acceptance of money in order to implement the activity aimed at investment into securities on behalf of the client;
- 7) are paid as advance payment or partial payment by sale or lease contract, or otherwise presenting the property or services, and should be returned only in cases when the property and the services were not actually sold, leased or rendered;
- 8) are contributed as a guarantee or pledge in compliance with the performance of contract, or for providing delivery or return of any property;
- 9) are contributed by a joint stock company to another one, provided they are daughter companies of the same parent (holding) company or one of them is a daughter company of another one;
- 10) are accepted by one person from another person on the basis of a joint activity contract.

Article 3. Banking System of the Kyrgyz Republic

1. Banking system of the Kyrgyz Republic shall comprise National (Central) Bank of the Kyrgyz Republic (hereinafter referred to as "Bank of Kyrgyzstan") and commercial banks.

Tasks, principles of activity, legal status and authority of the Bank of Kyrgyzstan shall be determined by the Law of the Kyrgyz Republic "On National Bank of the Kyrgyz Republic". The provisions of this Law shall apply to the Bank of Kyrgyzstan only in instances directly provided by this Law.

Banking activity shall be regulated by this Law, by the Law "On the National bank of the Kyrgyz Republic ", by other statutes of the Kyrgyz Republic, by normative acts of the Bank of Kyrgyzstan and by the Charter of a bank.

2. Based on the types of activity, a bank may be universal or specialized.

Universal bank is a bank which carries out all types of banking operations, including investment.

Specialized bank is a bank which implements limited scope of banking operations. Activity of the specialized banks shall be carried out based on this Law, and on separate legislative acts governing their activity.

3. Based on the types of property, a bank may be state or private.

The state bank shall be established based on a separate legislative act in the form of the postal, investment, savings and other similar bank. State bank shall carry out its activity in compliance with the banking legislation of the republic.

4. Inter-state bank shall be established based on international agreement (treaty) of the Kyrgyz Republic, ratified in compliance with the established procedure.

It shall be subject to provisions of this Law, with consideration of the peculiarities provided in the international agreement (treaty) on its formation.

Article 4. Specialized Financial Institutions

Specialized financial institutions: credit unions, savings corporations (companies), loan banks, reciprocal crediting companies and other similar specialized financial institutions, - shall act based on the license of the Bank of Kyrgyzstan, and shall have the capacity to implement certain banking operations.

The activity of such specialized financial institutions shall be governed by Laws of the Kyrgyz Republic and this Law with consideration of peculiarities provided by normative acts of the Bank of Kyrgyzstan.

Article 5. Delimitation of Liability between the Kyrgyz Republic and Banks

Bank shall not be liable on the obligations of the Kyrgyz Republic, as well as the Kyrgyz Republic shall not be liable on the obligations of the bank, unless the State undertook such obligations itself.

Bank shall not be liable on obligations of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall not be liable on the obligations of banks.

Article 6. Independence of Banks in the Kyrgyz Republic

1. Banks of the Kyrgyz Republic shall independently organize and implement their activity within the competence provided by this Law and other normative legal acts of the Kyrgyz Republic.

2. Any interference by state power and government agencies and authorities thereof (except the Bank of Kyrgyzstan within the limits of authority provided by this Law and the Law of the Kyrgyz Republic "On National (Central) Bank of the Kyrgyz Republic") into solution of issues related to banking activity shall be prohibited.

Failure to comply with these requirements shall entail the liability provided by the legislation of the Kyrgyz Republic.

3. The Jogorku Kenesh of the Kyrgyz Republic, the President of the Kyrgyz Republic in emergency situations (military actions, natural calamities, international conflicts) may issue, for the purposes of protection of the state interests, legislative acts which restrict or prohibit a certain type of banking transactions, either completely or in respect to certain countries. These legislative acts shall be effective within the term established therein. Failure to comply with the requirements provided by these laws and decrees shall entail the liability provided by the legislation.

4. Authorities of the state power and government agencies:

1) may not participate in the directing bodies of the bank or bank holdings, except in state banks;

2) may not hold and/or control over 5% of voting shares in a bank or bank holding.

Control is understood as the ability to implement direct or indirect control of election of members of the Council and Board of a bank or a company, or otherwise influence the management of the bank or the company. The control may be carried out through possession of five or more per cent of the voting shares issued by the bank or the company or by other means which make it possible to influence management decision making.

5. If authorities of the state power and government agencies hold over 5% of shares issued by the bank or a company related thereto, they must transfer them into trust management to an independent person with the license to such activity, within 60 days after appointment to the office.

Article 7. Unions and Bank Associations

1. For the purposes of coordination of their activity, protection and representation of common interests, implementation of joint projects and solution of other issues, banks of the Kyrgyz Republic may establish unions, associations, or other organizations which may include foreign banks. Activity of such organizations shall be implemented in compliance with their founding documents and shall not require the licensing by the Bank of Kyrgyzstan.

2. Banks shall have the right to organize bank holdings, which activity is carried out on the basis of this Law, as well as on the basis of the special Law and normative acts of the Bank of Kyrgyzstan.

These organizations shall be subject for registration and regulation by the Bank of Kyrgyzstan.

3. Any use by banks of their unions, associations and other organizations (including holdings) for achievement of agreements aimed at restriction of banking competition and monopolization of the banking market in the issues related to the establishment of interest rates, amounts of commissions and other conditions which cause damage to clients of the banks, shall be prohibited.

4. Observance of the anti-monopoly legislation in respect to the banks and other financial institutions governed by this Law shall be controlled by the Bank of Kyrgyzstan. For these purposes, the Bank of Kyrgyzstan may issue binding normative acts and directives.

Chapter II Formation of banks in the Kyrgyz Republic

Article 8. Bank and its Founders

1. Founders and shareholders of a bank may be legal entities and natural persons which might be resident or non-resident in the Kyrgyz Republic, as well as the Government of the Kyrgyz Republic.

2. Bank may be formed and act only in the form of open or closed joint stock company.

3. A bank may be formed and act in the Kyrgyz Republic in the form of:

1) daughter company of the bank or bank holding;

2) main (mother) company of another bank or a financial institution formed in compliance with the legislation of the Republic;

3) company owned by individuals;

4) company owned by legal entities, provided that no one holds over 15% of voting shares of the bank, or related to each other due to the reason that: they are daughter companies of the same main (mother) company or one of them is a daughter company of another one.

Article 9. Bank's Founding Documents

1. Bank shall be formed on the basis of the founding agreement and shall act in compliance with its charter.

2. The charter of a bank must contain, besides the data provided by the effective legislation, the following:

1) full and reduced firm name of the bank;

2) data on organization and legal form and type of property in the bank;

3) provisions on managerial bodies of the bank;

4) procedure of making decisions by managerial bodies of the bank, including the list of issues requiring qualified majority of votes of the shareholders;

5) if an affiliate of a foreign bank established abroad opens, a provision on compliance with the requirements of the legislation of the Kyrgyz Republic;

6) other provisions related to the peculiarities of the activity of the bank which do not contradict the legislation of the Kyrgyz Republic.

3. A bank must notify the Bank of Kyrgyzstan on all amendments and addenda entered into the founding documents of the bank within one month after adoption of the corresponding decision.

In cases provided by Law the changes and amendments made in the charter of a bank shall be subject for state registration. The bank shall be obliged within one working week to inform the Bank of Kyrgyzstan on the registered changes and amendments in the charter of the bank.

4. Amendments and addenda associated with the name of the bank, managerial bodies, alterations of composition of the bank participants which affect the management and monitoring of its activity should be previously coordinated with the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall within one month consider the approval of the entry into the founding documents of amendments and addenda on the given issues.

The Bank of Kyrgyzstan may disapprove amendments and addenda into the founding documents in the following instances:

1) if the proposed amendments and addenda contain grounds for denial of license provided by this Law;

2) if the bank refuses to comply with the prescriptions of the Bank of Kyrgyzstan on elimination of defects in proposed amendments and addenda to the founding documents.

5. If any amendments are made in the founding documents of the bank, associated with the increase of the capital of the bank, the bank must notify the Bank of Kyrgyzstan on the results of the final registration of the issuance of securities

of the bank, within one month as of the moment of recognizing the issuance valid, in compliance with the legislation on securities.

6. For the purposes of improvement of the financial state of the Bank, amendments and addenda to the founding documents, associated with the capitalization of the bank (increase of the bank capital, engagement of new investors), shall be allowed.

Article 10. Bank's Name

1. Bank shall use the name stated in its charter as the firm name.

No bank may nominate itself in any documents, announcements or advertisements with a name different from that stated in its Charter.

2. The use by banks of words "National", "Central", "Kyrgyzstan", "Bank of Kyrgyzstan", or "Kyrgyz Banky" in full or in part, in any language or in any combination shall be prohibited.

3. The use of words "the State" in full or in part, in any language, or in any combination, by any banks other than state banks, shall be prohibited.

4. The use of identical denominations or those similar so as they may be confused with the names of banks which had been previously established, including the names of non-resident banks, shall not be allowed.

This prohibition shall not apply to the daughter banks, when they use names of the main (parent) banks.

5. A bank which intends to alter its name, prior to entry of all appropriate alterations of its name, must receive the approval by the Bank of Kyrgyzstan. The management of the bank must give a notice through the mass media and publication within the bank itself on a new name of the bank, within 3 days after making a decision on renaming of the bank.

Article 11. Bank's capital

1. Capital of a bank shall be the guarantee for profitable and stable growth of the bank, coverage of potential losses which are peculiar to the bank portfolio, and the guarantor of trust of clients to the bank, and shall act as a measure of protection against possible risks, which may arise in the process of implementation of banking activity.

2. Fully paid authorized capital shall form the basis of the capital of the bank. The capital of the bank shall include only the authorized capital on which the bank has no obligations to return the funds invested by shareholders.

These funds invested by shareholders (participants, founders) may be received by the shareholders only by sale or transfer of the shares.

3. The authorized capital of the bank shall be formed only in national currency of the Kyrgyz Republic, and only at the expense of the founders (shareholders). Use of fixed assets and non-tangible assets for formation of the authorized capital shall not be allowed.

4. Prior to receiving the license to implement bank transactions, the bank must deposit the minimum authorized capital to the bank account to be opened in the Bank of Kyrgyzstan.

5. Bank of Kyrgyzstan shall establish economic normatives to determine the standards of the capital of the bank being adequate to the minimum size of the authorized capital of the bank, and shall determine also the structure of the capital of the bank.

6. Bank of Kyrgyzstan shall have the right to issue normative acts on the given issue and demand that banks maintain the minimum capital or adequacy ratio of the capital, depending on the risks peculiar to the activity of the bank.

In drafting normative acts for banks, the Bank of Kyrgyzstan may take into consideration international standards, associated to the banking capital, and particularly standards adopted by the Basel Bank Oversight Committee and the European Community in their directives and other documents related to the banking business.

Article 12. Reserves Created by Bank

1. For timely recovery of losses related to implementation of banking activity, the bank must create necessary reserves.

2. The Bank of Kyrgyzstan shall determine the procedure of formation and methods of calculation of the reserves created by the bank for the purpose of recovery of loan, lease and other losses related to the costs of the bank.

3. For the purposes of providing the due level of control and safety of its activity, in compliance with the nature and the scale of the transactions, the bank must create capital reserves in accordance with the international standards of accounting and the procedures established by the Bank of Kyrgyzstan.

Article 13. Licensing of Banking Transactions

1. A bank shall receive a status of legal entity as of the moment of the state registration in compliance with the legislation of the Republic.

2. To start implementation of its activity, a bank must receive the license of the Bank of Kyrgyzstan for implementation of banking activity for the fee which amount is established in compliance with the legislation of the Kyrgyz Republic.

3. The Bank of Kyrgyzstan shall maintain the registry of banks which received the license for implementation of banking transactions. The information on the banks which received the license from the Bank of Kyrgyzstan shall be published once a year in mass media.

4. A bank, its affiliates and representative missions shall not be subject for registration in the local government agencies.

5. After consideration of the documents provided by Article 14 hereof the Bank of Kyrgyzstan may give preliminary consent to issue the license to a bank. That means that the license will be given to the applicant only after he determines the staff composition, pays necessary minimum capital, presents the state registration certificate and performs other requirements provided by the legislation of the Kyrgyz Republic and the Bank of Kyrgyzstan.

6. Licenses issued by the Bank of Kyrgyzstan shall be general, have unlimited term of effect (constant) and shall be effective on all the territory of the Kyrgyz Republic.

7. Licenses issued by the Bank of Kyrgyzstan shall be nominal (unalienated) and shall not be subject for transfer to third parties.

8. All the banking transactions may be carried out only if such transactions are expressly provided in the license.

9. The banking transactions performed without the license of the Bank of Kyrgyzstan shall be considered invalid. Unlicensed banking activity shall entail the liability in accordance with the legislation of the Kyrgyz Republic.

Article 14. The Documents required to obtain the license

1. To receive the license for implementation of banking transactions the applicant must submit the following documents:

1) application for the license, filled in compliance with the form established by the legislation of the Kyrgyz Republic;

2) founding documents of the newly formed bank (articles of incorporation, charter, record on adoption of the charter and appointment of the members of the Council of Directors of the bank);

3) business plan with set forth goals of the banking activity and the ways of their achievement;

4) information on:

- shareholders, and for a foreign bank which is not a joint-stock company , information on the owners of the bank;

- shareholders of each legal entity which is to become a shareholder of the bank, if such legal entity holds and/or receives the right or opportunity to control five and more per cent of the shares in this bank;

- shareholders of a legal entity which possess shares of the legal entity-founder of the bank;

5) the list of members of the Council of Directors of the bank with indication of the chairman and the first vice chairman, with the information on the name of each person, address, and the data which confirm their compliance with the requirements established by the Bank of Kyrgyzstan;

6) list of members of the Board of the bank with indication of the chairman and the first vice chairman, which contains the data on the name of each person, the address and the data which confirm their compliance with the fitness requirements established by the Bank of Kyrgyzstan;

7) for persons appointed members of the Board and/or leaders of large subdivisions of the bank, including the chief of internal auditing department, chief of the credit department, assets and liabilities manager, data specified in sub-point 6 of this Article and the data on the previous labor activity;

8) detailed organizational structure of the bank to be formed;

9) economic justification of establishing the bank, prepared in compliance with the procedure established by the Bank of Kyrgyzstan;

10) statement of the auditing organization on financial status of the founders or other information which confirms their financial stability;

11) the documents confirming the license fee payment;

12) copy of the state registration certificate.

Fitness criteria of persons indicated in sub-points 5-7 of this Article shall be determined by the Bank of Kyrgyzstan. Documents confirming professional qualifications of the newly appointed executive officials shall be submitted to the Bank of Kyrgyzstan, in case of changes in the management personnel of the Bank.

2. In addition to the documents indicated in point 1 of this Article, the Bank of Kyrgyzstan may demand from the foreign investor who wishes to acquire the shares of the native bank, or from an affiliate or daughter bank of a foreign

bank which wishes to acquire the license (permission) to conduct banking transactions to submit the following documents legalized in compliance with the established procedure:

- 1) for foreign legal entities:
 - written consent by the appropriate bank oversight body of such foreign bank to acquisition by the latter the shares of a Kyrgyz bank or to opening an affiliate or daughter bank of a foreign bank on the territory of the Kyrgyz Republic;
 - written confirmation by an appropriate bank oversight body of the corresponding state that the founding bank shall be subject for oversight on the consolidated basis;
 - the charter or other document which confirms the status of the legal entity and its published balance sheets for three previous years;
 - decision by the appropriate body of a foreign founding bank (participant) on its participation in creation of the bank on the territory of the Kyrgyz Republic, or on opening a daughter bank.
- 2) for foreign citizens:
 - statement by the auditing organization in respect to the financial status of this person or other information which confirms its financial stability;
 - recommendations from no less than two foreign legal entities or individuals who are known to be solvent.
3. Bank of Kyrgyzstan may add the list of documents and requirements necessary for obtaining the banking license in compliance with the international banking practice.
4. Should the request and documents required for issuance of banking license be revoked, the documents submitted by the founders of the bank shall not be returned.

Article 15. Requirements to the Business Plan of the Bank to be Formed

1. A business plan of the bank to be established shall cover the strategy, directions and scope of activity of the bank, and in addition to that it should include:

- 1) financial perspectives of activity of the bank to be established (budget and projected balance report, calculated capital, revenue and costs);
- 2) structure of the managerial and monitoring system of the candidate bank;
- 3) crediting policy implemented by the bank (mechanisms of evaluation of risk in extending the loans, mechanism of permanent monitoring of the extended loans (or other types of risks), and other issues related to the supposed policy of the bank);
- 4) supposed mechanism of protection from transactions related to "money laundry";
- 5) plan of formation of clientele of the bank;
- 6) plan of attraction of specialists and implementation of personnel policy in the bank;
- 7) plan of assets and liabilities management;
- 8) other aspects related to the proper organization and functioning of the bank, being characteristic for the international business practice and those determined by the Bank of Kyrgyzstan.

Article 16. Term of Consideration of Application for License

1. The Bank of Kyrgyzstan shall consider the application for license within the period which does not exceed four months after receipt of the application and all the documents necessary for issuance of the license.
2. The term of consideration of the application for license submitted by a bank with participation of foreign investors and by a foreign bank may be prolonged up to 6 months under the decision of the Board of the Bank of Kyrgyzstan.
3. If the documents received by the Bank of Kyrgyzstan do not comply with the requirements of the Bank of Kyrgyzstan for receipt of the bank license, the calculation of the period determined in this Article shall start as of the date of receipt of satisfactory documents.

Article 17. Grounds for Denial of Licensing

1. Bank of Kyrgyzstan may deny issuance of the license by the following reasons:
 - 1) non-compliance of the founding or other documents submitted for getting license to the requirements established hereof and provided by the Laws of the Kyrgyz Republic;
 - 2) failure to submit the documents in the volume established hereof. In the event these obstacles are removed the application shall be considered on general grounds;
 - 3) change of the financial or legal status of the applicant to that extent from the moment of the preliminary permission of the Bank of Kyrgyzstan for issue of the license that there are grounds for denial of licensing;

- 4) failure of the candidates to the executive positions in the bank to comply with the minimum fitness requirements established by the results of special test;
 - 5) non-compliance of the amount, structure, source of formation of the minimum registered capital of the bank to the requirements of Article 11 of this Law;
 - 6) failure to pay by the time of registration of the minimum amount of the registered capital;
 - 7) statement of false data in the documents submitted for receipt of the license;
 - 8) failure to pay the license fee;
 - 9) there is a court judgment in respect of the applicant forbidding him to conduct such type of activity;
 - 10) there are other grounds provided by the legislation.
2. Bank of Kyrgyzstan must notify the applicant in writing on the grounds for the denial of the license.

Article 18. Establishing of a Daughter Bank

1. Daughter bank is an independent legal entity which control block of shares is held by the founding bank (parent bank) and which implements its activity based on the license of the Bank of Kyrgyzstan. A foreign parent bank in relation to a daughter bank may be non-resident banks of the Kyrgyz Republic with the appropriate rate acceptable for the Bank of Kyrgyzstan which is based on the international banking classification.
2. Upon receipt of the main license for implementation of banking transactions the bank may open daughter banks on and beyond the territory of the Kyrgyz Republic.
3. A daughter company of a non-resident bank may act in the Kyrgyz Republic only on the basis of the license for implementation of banking transactions issued by the Bank of Kyrgyzstan.

Article 19. Establishing Bank Affiliates

1. Affiliate of a bank is a separate subdivision without formation of a legal entity which implements all banking transactions or their part on behalf of the bank, based on the provision established by the bank and acting within the limits of authority provided by the bank.

The affiliate and the bank shall have the common authorized capital and the balance, and the same name.

Managers of the affiliates shall be appointed by the principal bank and shall act on the basis of the power of attorney issued by the principal bank in compliance with the established procedure.

2. The bank may open its affiliates in and beyond the territory of the Kyrgyz Republic, on expiration of thirty days after notification of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall establish the procedure of presenting the notice on opening of the affiliate.

Opening of the bank's affiliates abroad shall be made on the basis of the permission from the Bank of Kyrgyzstan.

3. Should the bank fail to notify on establishing an affiliate, or notify with the violation of the term provided in point 2 of this Article, the Bank of Kyrgyzstan may apply sanctions provided by the banking legislation.

4. Only the foreign banks with a stable financial position and good business reputation shall be allowed to establish their affiliates on the territory of the Kyrgyz Republic.

Non-resident bank shall endow an affiliate on the territory of the Kyrgyz Republic with the capital used as a basis for calculation of economic normatives established by the Bank of Kyrgyzstan and shall place in a financial institution approved by the Bank of Kyrgyzstan a deposit free from debt which form and amount complies with the rules established by the Bank of Kyrgyzstan.

5. To receive a permission to open an affiliate, a non-resident bank shall submit the following documents:

- 1) statement on establishing of an affiliate in compliance with the established form;
- 2) resolution of the appropriate executive body of the applicant bank on establishing an affiliate on the territory of the Kyrgyz Republic;
- 3) founding documents of the applicant bank;
- 4) annual report of the applicant bank (including the consolidated balance and report on profits and losses) for the last financial year confirmed by the auditing firm;
- 5) general information on the bank, its structure and owners;
- 6) feasibility study for establishing of the affiliate;
- 7) regulation on the affiliate, including the list of banking transactions to be implemented by the affiliate;
- 8) written confirmation by the bank oversight agency of the corresponding state, that the applicant bank has the valid license to implement banking activities and has the right to establish an affiliate;
- 9) information on executive officials of the affiliate prepared in accordance with the requirements of the Bank of Kyrgyzstan;
- 10) notarized card with the specimen of signatures of managers of the applicant bank.

Bank of Kyrgyzstan may request additional information on the applicant bank. Non-resident bank having the permission to establish an affiliate on the territory of the Kyrgyz Republic must obtain a permission (license) of the Bank of Kyrgyzstan to establish other affiliates in the Kyrgyz Republic if the bank wants to open them. In this permission (license) the Bank of Kyrgyzstan determines the list of transactions which may be implemented by the affiliate of a non-resident bank on the territory of the Kyrgyz Republic.

6. The name, location and types of activity of the affiliates may be altered only after the prior coordination with the Bank of Kyrgyzstan.

7. The Bank of Kyrgyzstan shall have the right to demand the information and issue normative and other acts relevant to the activity of the affiliates of banks, including the affiliates of foreign banks.

8. Affiliates may be endowed with the property of the principal bank and shall act based on the provisions established by the latter. Their actions shall be deemed as actions of a legal entity (bank) which lawful part they constitute, and this legal entity (bank) shall bear full liability for actions of this affiliate.

Article 20. Opening Bank's Representative Office

1. A representative office is a subdivision of a bank without formation of a legal entity which protects and represents interests of this bank and implements transactions and other lawful actions on its behalf, except acceptance of deposits, providing credits, implementation of settlements operations and exercise of other transactions which require banking license in compliance with the legislation of the Kyrgyz Republic.

The representative office shall have common balance with the bank and the name which shall completely coincide with the name of the bank, with added word "representative office".

2. Representative office of the bank on and beyond the territory of the Republic shall be established with prior notification of the Bank of Kyrgyzstan and submission of the following documents:

- 1) resolution of the appropriate bank organ on establishing of a representative office;
- 2) regulation on representative office.

3. Representative office of a foreign bank shall be established under permission of the Bank of Kyrgyzstan. A foreign bank which intends to establish a representative office must inform the Bank of Kyrgyzstan on that 2 months prior to the establishment of the representative office.

The non-resident bank shall submit the following documents to obtain permission to establish the representative office:

- 1) statement on establishing a representative office in compliance with the established form;
- 2) founding documents of the non-resident bank;
- 3) regulation on the representative office which contains the list of activities to be implemented by the representative office;
- 4) written confirmation from the banking oversight agency of the corresponding state that the applicant bank has the valid license to implement banking activities;
- 5) notarized card with specimen of signatures of the authorities of the applicant bank;
- 6) resolution of the appropriate body of the applicant bank on establishing a representative office on the territory of the Kyrgyz Republic;
- 7) annual report of the applicant bank (including consolidated balance and report on incomes and losses) for the last financial year confirmed by the auditing firm;
- 8) information on the chief of the representative office.

4. The name, location and types of activity of the representative office may be altered only after the prior coordination with the Bank of Kyrgyzstan.

5. The Bank of Kyrgyzstan shall have the right to demand the information and issue acts relevant to the activity of the representative office of the bank.

The regulation on the procedure for opening and the activity of representative offices of foreign banks shall be approved by the Bank of Kyrgyzstan.

6. Representative office may be endowed with the property of the principal bank and shall act based on the provisions established by the latter. Their actions shall be deemed as actions of a legal entity which lawful part they constitute, and this legal entity (bank) shall bear full liability for actions of this representative office.

Chapter III Management of a bank

Article 21. Annual Shareholders' Meeting

1. The issues referred to the exclusive competence of the general shareholders' meeting shall be regulated by the law on business partnerships and companies and can not be settled by the Council of directors or by the Board of the bank.

2. The annual meeting shall be convened by the Council of the Bank which determines the place, date and time of the meeting; the meeting shall be held no later than 3 months after the end of the financial year of the bank.

The exclusive competence of the annual shareholders' meeting shall include:

1) approval of the annual financial plan and the report on its performance;

2) approval of the annual results of the bank's activity and reports of the bank's executive bodies;

3) election of the Council of the directors of the bank, auditing commission and the external auditor of the bank;

4) determination of the conditions and amount of remuneration to members of the Council of directors and to the external auditor. In case of violation of the procedure of the convening of the annual meeting the shareholders possessing in the aggregate no less than twenty per cent of the votes shall have the right to convene the annual shareholders' meeting pursuant to the legislation of the Republic.

3. All the meetings other than annual shall be considered as extraordinary. Extraordinary shareholders' meeting may be convened by the Council of directors of the bank, auditing committee, ordinary shareholder or a group of shareholders possessing in the aggregate no less than twenty per cent of the votes.

Article 22. Preparation and distribution of the materials of the meeting

1. Shareholders shall be informed on a forthcoming general meeting personally by registered letters mailed at the address indicated in the registry of shareholders or through the mass media as well as by means of publication within the bank itself which shall contain the following information: the date, place, time of the meeting; agenda of the meeting; location of centers which provide additional information on annual shareholders' meeting and the list of shareholders, as well as the voting bulletins.

The said notice must be made no less than twenty days prior to the date of the general meeting of the bank created in the form of an open joint-stock company, and no less than ten days prior to the meeting for the closed type joint-stock company which will enable the shareholders of the bank to make information decision on the issues included into the agenda of the meeting.

The shareholders possessing in the aggregate more than ten per cent of the votes may submit their proposals on the agenda of the meeting; but these proposals shall be made not later than ten days prior to the date of shareholders' meeting of the bank created in the form of an open joint-stock company, and no less than five days prior to the meeting in case of a closed type joint-stock company.

The notification of all the shareholders of the bank on the forthcoming meeting or on the possible changes shall be obligatory.

The notice on the forthcoming meeting shall be directed to all the shareholders who have paid all the fees on ordinary shares, and also to the bank's auditor and to the specialized registrar.

2. The right to obtain the information on the general meeting shall have the shareholders listed in the shareholders register of the bank as of the registration date in compliance with this Law.

3. The information on the general shareholders' meeting must include the necessary materials and/or the documents which will enable the shareholders to be prepared on the issues of the agenda of the meeting.

While holding the annual meetings the following shall be provided to the shareholders of the bank:

1) the information report with the description of the issues listed in the agenda and offered for the consideration of the meeting including the materials related to working experience and characteristics of the candidates to the Council of directors of the bank and other materials;

2) financial documents of the bank, including the annual report of the bank, the information for the previous financial year and explanation of the financial data and the corresponding changes in it as compared with the previous year;

3) the information on the company carrying out the audit, brief description of the works done and the fundamentals of remuneration to the audit company.

4. All the documents listed in point 3 of this Article must be send to the shareholders together with the notice on the forthcoming general meeting.

Article 23. Quorum and Voting at the Bank's Shareholders Meeting

1. The general meeting of the shareholders shall be considered competent if the shareholders or their authorized representatives, possessing in accordance with the charter more than sixty per cent of the votes of the placed voting shares of the bank, participate in that meeting.

In the event there is no quorum the Bank's management shall be obliged to convene the repeated annual Bank's shareholders meeting, which will be considered competent if the shareholders or their authorized representatives, possessing more than forty per cent of the votes of the placed voting shares of the bank, participate in that meeting.

2. The registration date shall be established for each shareholders' meeting, at which the shareholders, having the voting right to participate in the general shareholders' meeting, shall be determined.

The shareholders' registration date (preparation of the shareholders' List), who have the voting right to participate in the General Meeting, can not be fixed earlier than the date when the decision in respect of the holding of the meeting was made and less than 20 days before the date of the meeting.

The List of the shareholders who have the right to participate in the general meeting shall be prepared on the basis of the data of the Bank Shareholders' Register. The List of shareholders must be accessible to the shareholders of the bank or their authorized representatives, and shall be placed in the building where the bank shareholders' general meeting is held.

3. The voting at the annual Bank shareholders' Meeting shall be a secret ballot and shall be organized in the written form with use of the ballot-papers containing the issues of the Agenda of the meeting.

The voting at the general shareholders' meeting must follow the principle "one share - one vote", except voting for the members of the Bank's Council of directors. The members of the Bank's Council of directors must be elected by cumulative voting.

4. The presence of a specialized registrar, servicing the general meeting as an elections inspector in order to provide accuracy, objectivity of votes counting and observance of the rules of procedure established for the general shareholders' meeting, shall be obligatory.

The elections inspector shall determine the number of circulating shares and their voting right, the presence of quorum, validity of the powers of attorneys of the authorized representatives of the shareholders, settles the claims and the problems arising in respect of the voting right, supervises the votes counting and determines the voting results.

5. Each shareholder, which has the voting right at the general shareholders' meeting may vote at that meeting in person or through his voting representative by assigning to him the power of attorney registered in accordance with the established procedure. Such powers of attorney may be those certified by the organization where the shareholder works or studies, by the corresponding Housing Department by the place of the shareholder's residence, or by the administration of the hospital where the shareholder may be for treatment.

The shareholder shall have the right to issue power of attorney both for the whole package of his shares and for any part of it; so the power of attorney may be given both to one and number of authorized representatives.

The power of attorney for participation in the voting on behalf of a shareholder can not be provided to the executive officials of the Bank.

6. The shareholder, group of shareholders or voting representative of the shareholders, who have more than twenty per cent of voting shares, shall have the right after announcement of the voting results to demand the assignment of one or more independent persons to check the results of the voting. In case it will be found that the calculation was wrong and the mistake exceeds three per cent, or it will be found that the result of the voting was different, the Bank must pay the expenses related to the conduct of this examination of the voting procedure.

7. The minutes and shorthand report of the shareholders' meeting must be certified by the chairman, the secretary of the meeting and by the elections' inspector.

Article 24. The Bank's Council of directors

1. The business activity of the Bank shall be regulated directly by the bank's Council of directors. The bank's Council of directors shall supervise the management of the bank, represent all the shareholders and report to the shareholders at each annual bank's shareholders meeting.

The members of the Bank's Council shall bear responsibility for the policy conducted by the bank.

2. The members of the Bank's Council of directors shall be elected at the annual shareholders' meeting for one year period. The Charter of the Bank may limit the number of terms, for which the same person can be re-elected, and to establish such condition that the person must be obliged to leave the Council of directors as soon as he reaches certain age.

3. The Bank's Council of directors may be elected both from the Bank's shareholders, including the founders, and other invited experts with good reputation and professional experience in the field of economy, finances or jurisprudence.

4. The Bank's Council must consist of five and more members. The bank which has one or two shareholders must have the bank's Council of directors, consisting of at least 5 members, which are to be hired by the owners of the bank for the period of at least one year.

The Chairman of the single executive body (the Chairman of the Board) may at the same time perform the duties of the member of the Council of directors of the bank.

The bank's Council of directors shall be headed by the Chairman of the bank's Council of directors to be elected by the members of the bank's Council of directors. The Chairman of the Bank's Council of directors can not be the Chairman of the Board of the Bank.

5. The exclusive powers of the bank's Council of directors shall include the decision making on the following issues:

- 1) determination of the strategic goals of the bank and formation of its policy;
- 2) determination and approval of the internal policy in respect of all the types of activity of the bank;
- 3) approval or discharge of the members of the Board of the Bank under the presentation of the Chairman of the Board;
- 4) approval of the Internal auditor;
- 5) determination of the terms and conditions of payment and the amount of salary for the members of the Board of the bank;
- 6) approval of the organizational structure of the Bank;
- 7) assignment of the External Auditor;
- 8) examination of the activity of the executive organs and executive officials of the Bank;
- 9) decision making in respect of establishment and/or liquidation of branches and representative offices of the Bank;
- 10) consideration of the results and taking measures on the results of the external and internal audits and the activity of the Bank supervision organs.

The issues referred to the exclusive competence of the Bank's Council of directors can not be transferred for consideration to the executive organs of the Bank.

6. The sittings of the bank's Council of directors shall be held at least once per month. The bank's Council of directors can make a decision without convening the meeting of the Council by signing by all the members of the Council of the directors the written document on which the decision shall be made. The decision made in this way must be confirmed at the nearest regular meeting of the Council of directors of the bank.

Each member of the Bank's Council of directors shall have one vote in voting on the issues submitted for consideration of the Council. All the resolutions shall be adopted by the majority of the votes provided the quorum is available, - by at least 2/3 out of the total number of votes of the members of the Council of directors of the bank, of the membership of the Bank's Council.

The Minutes and the stenographic report of the Bank's Council meeting shall be kept by the Secretary of the Council. The Minutes of the meeting must be signed by the Chairman and the Secretary of the meeting.

7. A member of the Bank's Council of directors shall have the right to resign any time by submitting the written application to the Chairman of the Council. In case of appearance of a vacancy in the Bank's Council of directors within the period between the annual shareholders' meetings the Bank's Council of directors may temporarily elect a new member of the Council by majority of the votes for the period till the next shareholders meeting.

8. The member of the Bank's Council may be dismissed from his position for the following reasons:

- 1) for violation of the legislation of the Republic and the Regulatory Acts of the Bank of Kyrgyzstan;
- 2) for fraud, abuse of authority or other illegal actions;
- 3) in case his dismissal serves the interests of the bank and the bank's shareholders;

9. The Bank's Council may create the Consulting Group, the Audit committee and other committees in order to carry out the business policy of the bank.

Article 25. The Board of the Bank

1. The Board of the Bank shall govern the day-by-day activity of the bank. The competence of the Board of the bank shall include all the issues which are not in the exclusive competence of the Shareholders' Meeting and the Bank's Council of directors.

The members of the Board of the bank must be assigned initially by the founding agreement, and then shall be elected for this position by the Council of directors of the bank.

Members of the Board of the bank can not be members of the audit commission or members of the Council of directors. Members of the Board may be bank's employees who are not the shareholders of the bank.

2. The members of the Board of the Bank may be the specialists with the professional experience in the field of banking, financial, economic or legal issues. The competence of the Board and the regulations of its activity shall be determined by the Charter of the bank.

3. The Board of the bank shall consist of at least 3 members. The members of the Board shall be elected for the period to be determined by the general bank shareholders' meeting.

If the bank is established by one shareholder, the latter can not be assigned as the Chairman of the executive organ, that is the Board of the bank.

The Board of the bank shall be headed by the Chairman of the board of the bank, who is assigned by the bank's Council of directors; the chairman of the Board shall be responsible for the management of the bank, its employees and the executive officials.

The members of the Board of the bank shall be assigned by the Bank's Council of directors by presentation of the Chairman of the Board.

The "executive officials of the Bank" shall be understood the persons, who have the powers to participate or actually participate in the main transactions of the bank, which form the bank's policy, irrespective of the fact, do these persons carry any official title or get any remuneration. The Chairman of the Board, members of the Board, the main financial and credit officers shall be considered as executive officials. This definition shall be related also to the executive officials of the company, which subsidiary is the bank as well as the executive officials of other subsidiaries of the same company.

4. The meetings of the Board of the Bank shall be held as necessary, but at least once per month.

The Minutes of the Meeting and the stenographic report shall be prepared by the secretary of the Board of the bank.

The Minutes of the Meeting and the stenographic report of the Meeting shall be signed by the Chairman and the Secretary of the Meeting.

Article 26. The Audit of the Bank

1. The Bank shall carry out the internal audit in order to confirm the trustworthiness of the accounts, to check and evaluate adequacy and effectiveness of the internal control system of the Bank, as well as the fulfillment of the duties by the executive officials of the Bank in accordance with the existing regulations, observance of the legislation and other issues in accordance with the bank's standards.

The audit procedures shall be determined by the Law and the Bank's Charter.

2. The bank's activity shall be subject for external audit annually. The Bank's audit shall correspond to the minimum criteria established by the Bank of Kyrgyzstan for the audit of a bank.

Article 27. Conflict of Interests

1. The members of the Bank's Council of directors shall:

1) "be loyal" to the Bank and make all the efforts to protect the bank's interests and to carry out the sound and reasonable banking practice while performing their duties;
2) not work as a member of the Board or as an executive official in any other competing financial organization;
3) not be governmental officials. This provision shall not be applied to the members of the Council of directors of the state banks.

2. The members of the Board:

1) shall make all the efforts to protect the bank's interests and to carry out the sound and reasonable banking practice while performing their duties;
2) can not work as a member of the Bank's Council of directors, Board or as an executive official in any other competing credit and financial organizations.

3. Any transactions, made between the bank and the bank's insiders, indicated in this Article, shall be subject for approval by the Bank's Council of directors. The member of the Bank's Council of directors can not participate in the discussion and voting on the issues, in which he has his personal interest (either directly or indirectly).

4. In case of the conflict of interests when the Bank's Council of directors refuses to vote or is not able to make a decision on certain issue, the Bank's Council of directors may decide by majority of the votes to pass this issue for consideration to the next special or annual shareholders' Meeting.

Article 28. Shares of the Bank

1. A bank shall issue shares in compliance with the legislation of the republic.

After each issuance of shares the bank must demand that its registrar within three working days after receipt of payment for issued shares, inform all shareholders, including new ones, on the increase of the number of shares as a result of the issuance, and certification of the right to hold shares.

Signatures on each certificate or in excerpt from shares may be made by facsimile.

2. The value of the shares must be expressed in the national currency of the Kyrgyz Republic.

The Charter of the Bank may provide for restrictions to acquire shares by employees of the Bank.

3. Share of a Bank shall be indivisible. Where the same share belongs to several shareholders all of them shall be considered as one shareholder in respect of the Bank and they may exercise their rights through one of them or through their common representative.

4. All shares of the bank shall be ordinary or preference shares. The Bank may issue only registered shares.

All shares of the bank must have equal par value.

5. The Bank must not guarantee the shareholders payment of dividends by ordinary shares.

In case there is a threat to the stability of the bank, as well as to the interests of creditors and depositors, the Bank of Kyrgyzstan may forbid or limit the payment of dividends in the following cases:

1) if it leads to violation of the economic norms, established by the Bank of Kyrgyzstan;

2) if the minimum amount of the registered capital, established by the Bank of Kyrgyzstan, has not been ensured;

3) if the rate of the capital adequacy of the bank is below the minimum level established by the Bank of Kyrgyzstan for this bank;

4) if it leads to the reduction of the volume of required deductions to the reserve for covering the potential credit and leasing losses and damages;

5) if the amount of undistributed profit is equal to or less than zero due to losses caused by the activity of the Bank;

6) if the amount of the surplus capital (the difference between par value and market value of the shares) and the undistributed profit will be less than the amount of issued ordinary and preference shares;

7) if the Bank suffered losses within the expired period of the current year, for the reported year and/or for the previous year;

8) if the bank is under special supervision of the Bank of Kyrgyzstan as a result of serious worsening of the state of the Bank and/or it is referred to the category of "problem" banks in accordance with the existing regulatory documents of the Bank of Kyrgyzstan.

Article 29. Shareholders' Register

1. The Bank or special legal entity (Registrar), which has the right to conduct such activity in accordance with the Law, hereinafter referred to as "Registrar", shall maintain the Shareholders register, which shall contain the records on the transactions entailing the changes in a number of securities (shares), which result in counting the number of shares, which belong to a certain shareholder, and record of the new shareholders.

2. The Shareholders' Register can be maintained both on paper and on computers or other technical facilities. From the moment of the first issue the Registrar shall be obliged to get and keep all the time the complete information on all the transactions with the shares of the Bank, including all the necessary documentation on these transactions. This information may be presented in the written form or in any other form suitable for storage. In case the information is loaded in the computer it is required to stipulate the possibility to restore the whole information by use of duplicate system, which may be in written form, in form of a diskette or a microfilm.

The official shareholders' Register of the Bank shall be a List of the shareholders of the Bank, based on the data, which the Bank or Special Registrar keeps in the written form, in the form of computer's record or by use of other technical facilities, which is certified by the signatures of two representatives of the Registrar and by the Seal of the Registrar.

3. The Shareholders' Register shall contain the data on each registered share, the date of acquiring the share, and the number of shares held by each shareholder with the information on their particulars (location and the registration number for the legal entities, identification card and address for the individuals).

The Bank Shareholders' Register may contain the other data, stipulated by the Republican legislation on securities.

The information on shares, acquired by the issuing Bank must be included in the Shareholders' Register.

4. The Bank must make an agreement with the specialized registrar in the instances of additional issuance, regardless of the number of shareholders, or placement of its securities at a stock exchange, and in other instances established by the legislation.

The specialized registrar must inform the Bank on all the changes in the Shareholders' Register in accordance with the established procedures and within the terms, but at least within the same terms, as established for payment of the dividends.

5. A shareholder of the Bank must inform the Registrar on any changes which may occur to him, which pertain to registration of shareholder's rights.

New shareholders or assignment of the right to hold shares from one shareholder to another shall be registered after the acquiring person or his/her representative submit to the registrar a necessary information (documents) on the transaction which results in alienation or assignment of all shares of the bank or a part thereof. The form and content of the provided information must comply with the requirements of the legislation.

In the instances where a transaction concluded between the bank, broker or depositary on behalf of the clients must be registered in the Registry, the bank, broker or depositary must submit the documents on the results of the transaction to the registrar, within three working days after receipt of such documents.

The Registrar must receive (accept) the documents on transaction, verify their accuracy, and make a record in the registry within three working days after receipt of the necessary information, in compliance with the requirements of the legislation.

6. If the shares of the Bank are used as a pledge then both the shareholder and the pledge holder have to address the Registrar in order to enter the pledge record into the shareholders Register, and the fact of shares pledging must be shown in the Bank shareholders' Register pointing out the voting rights.

The registrar shall make the record in the Shareholders Register on the facts of emergence or termination of the pledge of shares, or alteration of the number of shares which are subject of the pledge, no later than three days after receipt of the necessary information (documents) in compliance with the requirements of the legislation.

7. The bank shall not be liable for failure of the shareholder to inform the registrar on the changes which must be registered in the shareholders register.

8. By the requirement of the shareholders, or their legal representatives, or by the requirement of the bank or its official representative, the registrar must within five working days after receipt of the inquiry, provide the excerpt from the register, with indication of the number of shares held by any shareholder, and, if necessary, information on transactions concluded with these shares earlier.

A document issued by the registrar in compliance with this point, is not a security, and is designated for confirmation of the right to hold the share at the moment of issuance thereof.

Necessary information from the shareholders register must be provided by the requirement of the Bank of Kyrgyzstan.

Article 30. Procedures for Shares' Transfer

1. The shares of the Bank shall be the property of their owner and may be transferred to other persons in accordance with the Law.

The Bank shall have the right to establish the rules and requirements, and deadlines and procedures related to placement of shares issued by this Bank.

2. The limitations for shares' transfer shall be allowed in the instances provided by the legislation.

The Bank may establish restrictions for transfer of controlling block of shares of the Bank.

The limitations for the shares' transfer shall be listed in the shares' certificate or in the extract, given to the Bank's shareholder.

3. In case of the pledge of five and more per cent of the Bank's shares one must obtain the advance approval of the Bank of Kyrgyzstan not less than 10 days before the supposed date of the transaction. A shareholder shall have the voting right on the pledged share unless otherwise provided by the Agreement between the parties.

Chapter IV Implementation of banking activities

Article 31. Organization of the Banking Activity

1. A bank shall possess, use and dispose of its own funds, buildings, constructions and other material and non-material assets in accordance with this Law, the legislation of the Republic and its own founding documents.

2. A bank shall be forbidden to conduct any other independent activity except:

1) the activity, indicated in the License;

2) the activity permitted in accordance with this Law;

3) the activity necessary to ensure the operation of the Bank in accordance with the Law.

3. A bank may participate by its own funds in commercial and other non-banking organizations and financial institutions provided that:

1) the amount of any investments and credits to any non-banking organization does not exceed 15% of the bank's capital. At the same time the total amount of such investments must not exceed 60% of the Bank's capital, as it is determined in Article 11 hereof;

2) the participation shall be considered as a long-term investment and not as an enterprise with the purpose of the active sale of the shares of the non-banking organization, unless the License permits the bank such activity.

The Bank of Kyrgyzstan may publish Regulatory Acts, explaining and developing this provision.

4. Banks shall be forbidden to participate in "gambling" activities including the organization and conduct of cash and prize lottery, and also conduct of such lottery in the premises of the bank or advertisement of such lotteries.

Article 32. Bank's Property

1. A bank may buy, transfer, keep, lease and alienate property in the instances where:
 - if it is required for the activity of the bank;
 - if it is required to secure returnability of the issued mortgage and similar credits;
 - if the real estate was acquired by means of purchase, transfer, alienation and other means in order to clear off (partially or in full) the earlier issued credits.
2. A bank may invest funds into the bank's premises (fixed assets), also by means of acquirement, in the amount of fully paid registered capital.

In case the funds are invested in the amount which exceeds the amount established in this paragraph, including the acquirement of the bank's premises, the additional permission from the Bank of Kyrgyzstan shall be required.

Under investment in this paragraph shall be understood any investments in the shares or bonds or any other similar debt obligations of the enterprise, which possess the premises of the bank and all the credits, provided to such enterprises and/or secured by their shares.
3. The real estate acquired by the bank as a result of purchase, alienation or transfer in order to secure the credits issued earlier, can not be kept by the bank more than 3 years.
4. The Bank of Kyrgyzstan shall have the right to issue normative acts on the issues of record, determination of the allowed period for retaining the property, the standards of evaluation and other issues related to a real property, used or non-used in the banking activity.

Article 33. Bank's Transactions

1. A bank may carry out the following types of bank's transactions with their special notification in the License:
 - 1) to attract deposits on the terms and conditions agreed with the depositor;
 - 2) to allocate its own funds or deposits on the terms and conditions agreed with the borrower;
 - 3) to open and maintain the accounts of individuals and legal entities in the official currency of the Kyrgyz Republic;
 - 4) to carry out settlements on the instructions of customers and corresponding banks and their cash service;
 - 5) to issue, buy, pay off, accept, keep and confirm payment instruments (checks, letters of credit, bills and other documents), including credit and payment cards;
 - 6) to buy and sell debt obligations (factoring), and to record promissory notes and bills of exchange in order to fund the commercial activity of the persons, whose debts and bills they are buying, and to collect the debts or receivables related to the available promissory notes or bills;
 - 7) to issue negotiable securities (deposit certificates, bonds, promissory notes), but only under terms and conditions, established by the Bank of Kyrgyzstan in the corresponding Regulations;
 - 8) to carry out financial leasing transactions, where a bank acts as an agent between a supplier or producer of a movable property, financing the sale of the property of a supplier or a producer by buying this property from them and selling this property to a buyer on credit terms and conditions;
 - 9) to perform trust management of the money on the basis of an agreement with a natural or artificial persons;
 - 10) to provide bank's guaranties.
2. In addition to the bank's transactions listed in paragraph 1 of this Article, a bank has the right to perform the following transactions:
 - 1) to issue guarantees and other obligations for third parties;
 - 2) to acquire claims from third parties for performing obligations in monetary form;
 - 3) to provide broker's services including purchase and sale of securities by customer's commission, in accordance with the customers instructions, provided that it has a license to conduct such activity as provided by the Law;
 - 4) to perform trust management of a property under agreement with an individual or legal entity, provided that the license required by the legislation is available;
 - 5) to lease to individual and legal entities specialized premises or safes therein, to keep money, documents and valuables;
 - 6) to withdraw and sell the property pledged by pledgors in order to clear off their obligations to the bank. These transactions shall not be considered as trade ones;
 - 7) to issue securities under its own name provided that the permission (license) to exercise such activity was granted;
 - 8) to render consulting and information services related to banking activities including bank management services.

Banks have the right to carry out other transactions in compliance with the legislation of the Kyrgyz Republic.
3. Provided the additional license is available, banks may perform:
 - 1) all or part of the transactions listed in paragraph one of this Article in foreign currency, including transactions on the accounts in foreign currency for customers and the transactions on acquirement of foreign currency on behalf of a client;
 - 2) to deal with the purchase and sale of foreign currency on its own behalf;

3) transactions with precious metals (only bank's silver, gold, platinum and coins from made of these materials of high standard).

4. In accordance with the procedure and restrictions established by the Bank of Kyrgyzstan, and provided that there is a license available, banks may carry out the following activity:

- 1) to purchase and sell securities for the bank on its behalf;
- 2) to issue securities by the instructions and on behalf of other companies;
- 3) to make transactions with "derivative" financial instruments;
- 4) to carry out transactions on trust management of funds (financial trust).

Article 34. Prohibition of False Advertisement

1. A bank shall be prohibited from advertising its activity, which does not reflect the real situation in the bank.

2. The Bank of Kyrgyzstan shall have the right to demand from any bank to change or revoke the advertisement and information on the activity of the bank or the name of the bank, if the contents of the advertisement, information or the name of the bank may deceive depositors or other persons.

3. In the event the demands of the Bank of Kyrgyzstan were not fulfilled within the period of time established in point 2 hereof, the Bank of Kyrgyzstan shall have the right to publish information that the advertisement does not comply with the reality at the expense of the bank, which published this advertisement.

4. The liability for intentional publication of the false information on the activity of the bank shall arise in accordance with the legislation of the Kyrgyz Republic.

Article 35. Provision of Credits

1. Credit transactions of a bank shall be made in accordance with its internal credit policy to be approved by the Bank's Council.

2. The organ implementing the internal credit policy shall be the credit committee of the bank assigned by the Bank's Council of directors. The decisions on all the issues related to the provision of credits, guaranties, obligations, etc., must be made only by the credit committee or by the persons to whom the committee has assigned this right. The committee shall consider also the issues related to the division of powers on the provision of credits.

3. The right to provide credits must be divided by number of levels of the officials and these officials shall bear the personal responsibility for would be violations of the Law while providing the credits.

4. The application of the norms provided by this Article shall be extended to the guarantee (non-balance) obligations of the bank, as well as to the other transactions, which as a matter of fact are credit transactions.

5. A bank shall be obliged to periodically perform the classification of its credit portfolio and other assets, including off-balance obligations and make necessary deductions into the reserve for covering potential losses, which are considered as expenses in accordance with the Regulatory Acts of the bank of Kyrgyzstan.

6. A pledge, guarantee, various financial instruments and other means, stipulated by the Law of the Kyrgyz Republic or by a credit agreement, may be used as a security of the credit.

A bank can not provide credits for purchase of the securities, issued by the bank itself, or against the guarantee of such securities.

7. A bank shall be obliged to file and maintain the credit dossier, which includes the basic information on the borrower, information on the acquired credit, other data related to the provided loans and/or the borrower.

8. While providing a credit the bank must examine the credit dossier of the borrower, and the bank has the right to demand the reports, balances and other documents, confirming the solvency of the borrower, and to take other measures in order to check the accuracy of the information submitted by the borrower.

The borrower shall be liable for the completeness and accuracy of the information provided to a bank.

Article 36. Interest Rates and the Amount of the Commission

1. The interest rates and the commissions as well as the tariffs for the bank services shall be established by the bank itself.

2. A bank may periodically review the interest rates for deposits and credits under agreements with the clients taking into account the current economic situation. This condition must be fixed in bilateral agreements made between a bank and a client.

3. In order to exclude the monopoly in the banking system and to achieve stability in the economy of the Republic the Bank of Kyrgyzstan may establish certain limitations to the banks related to points 1 and 2 of this Article.

Article 37. Limitations on Crediting

1. A bank shall have no right to provide credits if by this it violates the credit's limits established hereby and by the normative acts of the Bank of Kyrgyzstan.

All types of investments and deposits shall be taken into account while determining the credit's limits.

2. A bank shall have no right to provide credits to its "insiders" if by this the amount of all the credits provided by the bank to one insider exceeds the established per cent of the sum total capital of the bank, which is determined in accordance with the Regulatory Acts of the Bank of Kyrgyzstan, and also if the total sum of all the credits provided by the bank to its insiders exceeds the amount of the sum total capital of the bank, established by the Bank of Kyrgyzstan.

By "insiders" shall be understood the directors, members of the Board of Directors, executive officials, main shareholders and any other persons and companies, related to the above mentioned persons by common interests.

3. A bank and its subsidiaries may participate in transactions with "affiliated companies" only in cases when the total amount of these transactions of the bank and its subsidiary enterprises with one affiliated company does not exceed the established per cent of the capital of the bank, and also if the total amount of all the transactions of the bank and its subsidiaries with all the affiliated companies does not exceed certain per cent of the Bank's capital established by the Bank of Kyrgyzstan.

By "affiliated companies" shall be understood any companies, controlling the bank, and also any company, which is controlled by the bank, also subsidiaries of the bank, any company controlled directly or indirectly on behalf and/or in the interests of the shareholders, which control the bank or any other company controlling the bank, any company where majority of its Council membership is made by the majority of the Bank's Council of directors members or any other company controlling the bank.

Each credit, guarantee, as well as bill of exchange or letter of credit, issued by the bank or its subsidiary in the interests of an affiliated company and provided to the affiliated company must be secured by a pledge at the moment of the transaction.

4. Provision of credits to the bank's insiders must be discussed at the Bank's Council of directors and the credit (taking into account the non-balance obligations) may be provided only upon the decision of the Bank's Council of directors and within the limits established by the Bank of Kyrgyzstan.

5. The Bank of Kyrgyzstan shall have the right to promulgate the Regulatory Acts related to the issues of credits provision to insiders and affiliated companies and to introduce limitations on the amount of credits as well as on the transactions with these companies.

Article 38. Settlements Organization

1. A bank shall make all settlements in the forms adopted in the Kyrgyz Republic and the international business practice, including settlements with application of electronic payments system.

2. In case of receipt of payment orders from clients in connection with the transfer of funds and payment of taxes, and in case of presence of funds on the accounts, the bank shall exercise clients' orders to pay taxes as the first priority.

The Bank must send taxes and other amounts payable to the budget at the date when the operation on withdrawal of funds from the client's account.

Should any budget orders to place budget funds to the account of the bank's client be received from treasuries, such orders shall be exercised at the date of receipt of such orders from treasuries.

If the tax amount is not allocated to the budget at the date of receipt of the payment order, a financial sanction shall apply to the bank, which is a fine amounting to 0.15 per cent of the transferable amount per each day of postponement within the period after receipt of the payment up to the date of the actual placement of the tax to the budget. The similar procedure shall apply in the instances of late placement of budget funds to the client's account.

Chapter V

Banking supervision and standards

Article 39. Banking Regulation

1. The Bank of Kyrgyzstan shall regulate activities of banks with the purposes of maintaining stable financial system, supporting the reputation of banks of the Kyrgyz Republic, protecting interests of creditors and depositors, as well as observing the banking legislation of the Kyrgyz Republic and legal rules of the Bank of Kyrgyzstan by the banks.

2. With the purposes of performing its functions connected with regulation of activities of banks the Bank of Kyrgyzstan shall have the right to apply following measures of enforcement:

1) establish economic standards;

- 2) inspect the activities of banks, their subsidiaries and daughter banks or instruct to conduct such inspections by independent auditors or audit firms;
 - 3) give recommendations on improvement of financial situation;
 - 4) forward instructions mandatory for execution on elimination of discovered violations and shortcomings in the activities of the bank;
 - 5) apply preventive measures and sanctions prescribed by the current banking legislation;
 - 6) request and receive balance sheets, statements and other documents or information about the activities of the bank;
 - 7) temporarily suspend or prohibit conduct of certain banking operations;
 - 8) suspend or withdraw banking license;
 - 9) initiate the liquidation process in case of insolvency in accordance with bankruptcy legislation.
3. Subsidiaries of the foreign bank in relation to the capital shall be controlled by the bodies of banking regulation and supervision of the country where they were established, in compliance with the agreement with this supervisory agency.

Article 40. Banking Supervision

The Bank of Kyrgyzstan shall monitor the activities of banks through of examination and analysis of the activities of banks on the basis of submitted financial and other statements (external supervision) as well as through conduct of direct inspections at sites.

Article 41. External Banking Supervision

For arrangement of external banking supervision the Bank of Kyrgyzstan shall appoint authorized inspectors.

If in the course of examination and analysis of financial and other statements and documents of the bank the authorized inspectors of the Bank of Kyrgyzstan have some questions connected with the activities of bank they may request for the additional necessary information and documents, clarifications and explanations from the bank concerning the statements provided by them.

Article 42. Inspection of Banking Activities

1. The Bank of Kyrgyzstan shall inspect activities of banks independently or with the possible involvement of auditors or audit organizations.

2. The Bank of Kyrgyzstan may appoint in writing one or several competent persons as inspectors for inspecting and reporting on the nature and status of the activities of the bank or any specific aspect of its activity providing to it the written directive for conduct of inspection and other necessary documents in accordance with the procedures approved by the Bank of Kyrgyzstan.

3. The bank (including members of the Council and the Board, managers, big shareholders, executive officers, auditors and other persons) shall be obligated to assist inspectors appointed by the Bank of Kyrgyzstan in issues specified in a written assignment of the Bank of Kyrgyzstan for inspection as well as to secure the possibility of interviewing the officers and employees and of access to the sources of information necessary for the performance of inspection.

Inspectors of the Bank of Kyrgyzstan shall have the right upon presenting their written powers:

- to interview the members of Council and Board, employees of the bank, outside auditor, lawyer, to make copies or extracts from necessary documents and demand clarifications of these documents from the bank or other person that is or was the shareholder that owns more than 5% shares of the bank with the right of vote (large shareholder);
- to conduct other necessary measures connected with inspection of the activities of the bank;
- to prepare instructions to write off bad debts, creation and support of adequate reserves.

4. Powers of the Bank of Kyrgyzstan connected with the inspection of the activities of bank shall be performed in relation to any company which has "affiliated interests" (insiders and affiliated companies) with the bank as well as subsidiaries of foreign banks acting on the territory of the Kyrgyz Republic and sister companies of the bank.

With the purposes of performing supervision over the activities of the bank the Bank of Kyrgyzstan shall have the right to demand consolidated balance sheet from the bank that has daughter companies. In case of discovering violations of banking legislation the Bank of Kyrgyzstan may apply to the bank sanctions and measures provided by this Law in relation to these sister companies.

5. Inspectors shall be prohibited from the disclosure or transfer of the data obtained in the course of inspection of the activities of the bank to third parties.

Persons performing inspection shall be held liable for disclosure or transfer to third parties of data obtained in the course of the inspection of activities of the bank and that comprise the bank or commercial secret in accordance with the current legislation.

6. The Bank of Kyrgyzstan shall determine the procedure of inspection with the account of existing international banking practice.

Article 43. Information and Documents

1. In order to perform its functions in accordance with this Law the Bank of Kyrgyzstan shall have the right to request and obtain necessary information being in the disposal of the bank or its daughter company.

2. Obtained data shall not be presented to third persons without the consent of the bank except for the cases provided by the legislation of the Republic.

Article 44. The Procedure of Introducing Amendments in the Composition of Shareholders of the Bank

1. Any individual or legal entity willing to acquire the block of shares of the bank which entitles to perform direct or indirect control, or acting with other persons or associations, shall be obligated to apply to the Bank of Kyrgyzstan in writing before the acquisition of block of shares, 30 days prior to the supposed date of acquisition of shares.

In this Article, acquisition is understood as purchase, transfer, pledge or other form of alienation or encumbrance of shares of the bank.

The control in this article shall mean the ability to control directly or indirectly the election of the majority of members of the Council of the bank or company, and to influence the management of the bank or company in any other way. Control may be performed through the possession of 5 or more per cent of issued shares of the bank or company of any type with the right of vote or through other way which allows to effect the adoption of managerial decisions.

2. Applications to acquire shares in compliance with the procedure established in point 1 of this Article shall be also submitted by the persons which become direct or indirect holders of controlling block of shares as the result of additional acquisition of shares of the bank.

3. The Bank of Kyrgyzstan shall notify the applicant in writing about its decision - consent or refusal within 30 days from the moment of receiving the application and in case of acquisition by non-residents, within 60 days. Refusal must be motivated. In case the Bank of Kyrgyzstan fails to inform about the adopted decision within the specified term the transaction on acquisition of shares of the bank shall be deemed allowed.

4. The Bank of Kyrgyzstan may in the framework of performing its supervision functions request and obtain information on financial status and business reputation of shareholders of the bank in case of acquisition by them of more than 5 % of shares of the bank.

5. The Bank of Kyrgyzstan may refuse to grant the application if:

- 1) the acquisition of block of shares may result in monopoly in the banking system of the Kyrgyz Republic;
- 2) the financial status of acquiring parties endangers the stability of the bank;
- 3) the competence, experience, qualification of proposed management of the bank fails to comply with the established requirements;
- 4) the acquiring parties failed to provide fully necessary information or provided distorted or inaccurate information;
- 5) the Bank of Kyrgyzstan has the information that the bank will not perform operations in compliance with the requirements set forth in the banking practice.

6. The procedure for submission and consideration of application shall be regulated by Regulatory Acts of the Bank of Kyrgyzstan.

Article 45. Improvement of Financial Situation of Problem Bank

1. In case of worsening of financial situation of the problem bank, the Bank of Kyrgyzstan shall have the right to pose an issue on the necessity of financial improvement, including application of one or several of following sanctions:

- 1) furnishing the reasonable letter-obligation by the bank on improvement of the financial situation;
- 2) entering into a written agreement with the bank on taking measures for improvement of the state of the bank;
- 3) appointment of a qualified consultant;
- 4) forwarding a written warning to the bank;
- 5) introduction of direct banking supervision;
- 6) replacement of management of the bank;
- 7) providing loans as a last instance creditor;
- 8) appointment of temporary administration for managing the bank;

9) reorganization of the bank.

2. Furnishing the reasonable letter-obligation on improvement of the financial situation shall mean the forwarding of a written notice by the bank to bodies of bank supervision unilaterally with indication of specific shortcomings in the activities of the bank and ways of elimination thereof.

3. The written agreement on taking measures on improvement of the state of the bank shall mean entering into an official agreement (protocol) signed by the Chairman of the Council of the bank and authorized officer of the Bank of Kyrgyzstan on adoption of urgent measures on rectification of serious shortcomings in the activities of the bank.

4. The Bank of Kyrgyzstan may appoint a qualified officer responsible for consultation of the problem bank on adoption of measures as regards correction of the situation in the bank. In this case expenses related to consultation of the bank shall be paid by this bank.

5. The warning to the bank shall be made by the bodies of banking supervision in case of necessity of informing the bank that it is breaching certain norms and rules or is engaged in activities which threatens its stability and safety and that further serious measures may be applied to this bank.

6. Direct banking supervision shall be introduced in cases when by the opinion of the Bank of Kyrgyzstan the bank is acting with risk and such activities may influence the safe status of the bank but there are no sufficient grounds for appointment of temporary administration or withdrawal of the license from the bank for conduct of banking operations.

Direct banking supervision shall be introduced also with the purposes of better examination of the financial situation of the bank, accounting and records of the bank and with other purposes determined by the Bank of Kyrgyzstan.

7. The Bank of Kyrgyzstan may demand the replacement or temporary suspension of the office of the executive officers of the bank that involve the bank into activities threatening its safety and stability, as well as upon discovering the facts of non-compliance of the bank with the banking legislation or normative acts of the Bank of Kyrgyzstan.

8. The Bank of Kyrgyzstan with the purposes of supporting the liquidity of the bank may extend to the banks a short-term secured and payable credit for the term of up to six months.

In case of emergency with the purposes of protecting the integrity of the bank system, the Bank of Kyrgyzstan may provide unsecured credit or the credit secured by other types of assets for the term of up to six months on the conditions established by the Bank of Kyrgyzstan.

9. Temporary administration of the bank may be introduced by the Bank of Kyrgyzstan in the following cases: discovering breaches in the activities of the bank related to inability of the administration of the bank to secure the work of the bank in accordance with banking legislation; involvement of the bank in unhealthy banking practice; unsatisfactory financial situation of the bank; appearance of disagreements among the executive bodies of the bank that disorganize its performance; loss of management of the bank in connection with replacement of management of the bank; breach of legislation by officers of the bank, bringing criminal charge against the managers and officials of the bank or initiation of criminal proceedings in respect of those persons.

10. The Bank of Kyrgyzstan may issue normative acts referred to the procedure of application of certain measures related to the improvement of financial situation of the bank.

Article 46. Instruction on Elimination of Discovered Violations

Upon discovering facts of non-compliance of the bank with economic norms or breach of banking legislation as well as on establishing the facts of involvement of the bank into unhealthy banking practice the Bank of Kyrgyzstan may issue a mandatory instruction for the bank on elimination of discovered breaches within certain period.

Article 47. Penalty

1. In case of failure of the bank to comply with the requirements of this Law or in case of a situation which threatens the interests of depositors and other creditors of the bank, the Bank of Kyrgyzstan may collect the penalty in the amount not exceeding one per cent of the paid authorized capital of the bank for each specific violation in case if:

- 1) the bank breaches banking legislation, normative acts of the Bank of Kyrgyzstan;
- 2) the bank fails to perform instructions of the Bank of Kyrgyzstan;
- 3) the bank breaches a written agreement entered by the Bank of Kyrgyzstan and the bank in connection with the request or application of the bank itself;
- 4) the bank breaches a written agreement between the bank and the Bank of Kyrgyzstan entered into in accordance with point 3 of Article 45 of this Law;
- 5) the bank fails to provide or provides inaccurate information and/or incomplete information;
- 6) the bank is involved into unsafe or unfaithful banking practice.

2. The Bank of Kyrgyzstan may collect penalty from the bank and affiliated company if the bank is involved into violations described in point 1 of this Article that cause or may cause substantial losses to the bank or bring benefits or profits to the party which involved the bank into such activities.

3. The Bank of Kyrgyzstan may collect penalty from certain members of the Council and executive officers of the bank for non-compliance with banking legislation, normative rules and instructions of the Bank of Kyrgyzstan in the amount of 20 minimal wages as provided by the legislation of the Republic as of the moment of collection of penalty.

4. Penalty shall be collected by the Bank of Kyrgyzstan after forwarding a preliminary instruction (notice) to the bank.

The bank or affiliated party which is penalized may appeal the penalty in court.

5. Money received from collection of penalties shall be transferred to the republican budget.

6. The procedure for the execution of the decision of the Bank of Kyrgyzstan on collection of penalty shall be established by the normative acts of the Bank of Kyrgyzstan.

In case of failure of the bank or affiliated party to perform the decision of the Bank of Kyrgyzstan on collection of penalty, the Bank of Kyrgyzstan may apply to the court in accordance with the legislation of the Kyrgyz Republic.

For application of penalties provided hereof by the Bank of Kyrgyzstan the general limitation term provided by the civil law of the Kyrgyz Republic shall be established.

Article 48. Limitation of Some Types of Banking Operations

1. The Bank of Kyrgyzstan shall have the right to make a decision on suspension or limitation of certain types of banking operations in case it discovers violations in the activities of the bank, its subsidiary, sister bank (company) or banking holding company related to:

1) involvement of the bank into insecure and unhealthy practice or the Bank of Kyrgyzstan has sufficient grounds to presume that the bank may be involved in such activities;

2) breach of banking legislation, economic standards or the Bank of Kyrgyzstan has sufficient grounds to presume that the bank may in future violate the banking legislation, normative acts of the Bank of Kyrgyzstan or its instructions as well as written agreements made by the bank and the Bank of Kyrgyzstan in accordance with this Law.

2. The Bank of Kyrgyzstan may appoint a preliminary discussion of the situation jointly with the bank with the purposes of adopting a decision on the issue of suspension or limitation of certain types of banking operations. Such discussion must be held not earlier than 10 days and not later than 40 days after the forwarding to the bank of an instruction on elimination of discovered violations and notice on the intention of the Bank of Kyrgyzstan to suspend or limit certain banking operations in case of failure of the bank to implement this instruction.

Date of the meeting may be revised by agreement of the Bank of Kyrgyzstan and the bank.

3. The decision on suspension or limitation of some banking operations shall be adopted by the Bank of Kyrgyzstan in case if:

1) the bank or its representative failed to appear at the preliminary discussion. In this case it shall be considered that the bank agrees with the decision on limitation or suspension of certain banking operations of the bank;

2) the Bank of Kyrgyzstan has sufficient grounds to presume that the prepared or started transaction of the bank may result in breach of the banking legislation or that the bank is involved into insecure and unhealthy banking practice.

4. The decision on suspension or limitation of certain banking operations may be adopted immediately in case if the Bank of Kyrgyzstan has reliable and sufficient information that failure to take such measure would lead to inevitable consequences or threaten the interests of depositors and creditors of the bank.

5. The decision adopted by the Bank of Kyrgyzstan must contain the description of definite breaches and grounded arguments that this breaches threaten its safety and stability as well as threaten the interests of depositors and creditors. The decision also shall contain the requirements (measures) referred to limitation or suspension of certain banking operations including the requirement:

1) to pay indemnification, secure payment under conditions guaranteed by the bank if the bank or party affiliated to it have unjustly enriched through breach of banking legislation, normative acts of the Bank of Kyrgyzstan or as a result of violation of its instructions;

2) to limit payment of dividends;

3) to limit the growth of bank through prohibition of opening the subsidiaries of the bank or;

4) to sell some assets of the bank;

5) annul any contract or agreement entered by the bank;

6) adopt other measures which the Bank of Kyrgyzstan considers necessary upon these circumstances.

6. The decision taken by the Bank of Kyrgyzstan in accordance with this Article shall come into force after expiration of thirty days from the moment of its signing if it is not suspended, transformed or annulled by the Bank of Kyrgyzstan or by the court ruling.

The bank may appeal against the decision of the Bank of Kyrgyzstan on suspension or limitation of certain banking operations in court in accordance with the legislation of the Republic. The appeal of decision shall not suspend its enforcement if it was adopted by the Bank of Kyrgyzstan in accordance with point 4 of this Article.

Article 49. Deposit Insurance

1. In order to protect the interests of creditors (depositors) of banks in the Kyrgyz Republic the Deposit Insurance Fund shall be established.

The procedure for its establishment and distribution of funds shall be regulated in accordance with legislation of the Kyrgyz Republic.

2. The bank may also select other forms of insurance of deposits applicable in the international banking practice.

Chapter VI Relations with clientele of a bank

Article 50. Fundamentals of Bank Relationships with Clients

1. Credit and other banking services to legal entities and individuals shall be carried out by the bank on the basis of contract with the client pursuant to the provisions of this Law.

The Contract must envisage basic terms and conditions of contracting parties, their rights, obligations and liabilities, terms and procedure of payment of interests on deposits and credits, rates and tariffs for conduct of banking operations, procedure of introduction of changes into the contract, its term, penalty for default, including unilateral amendment thereof and other conditions envisaged by the current legislation and by the agreement of the parties.

Issues not regulated by the contract shall be resolved in accordance with the legislation of the Kyrgyz Republic.

2. General conditions of conducting operations shall be an open information and may not be the subject of commercial or bank secret.

The bank shall be obligated to provide general conditions of conduct of operations at the client's first request.

Each subsidiary of the bank must have the annual report on the activities of the bank as well as other information about the activities of the bank which shall be provided to any client or investor of the bank.

3. The bank must explain to its clients or deliver in writing a notice each time about the changes of conditions of services concerning each definite client, including:

- 1) information on provision of charged services by the bank;
- 2) information on amounts of payment for provided services including credits;
- 3) information on interests and terms of payment of interests on deposits;
- 4) procedures and deadlines for settlement of clients' claims;
- 5) other terms of banking operations.

4. All amendments and supplements in the contracts entered into by the bank and the client may be introduced only on mutual agreement of the parties. The bank shall be prohibited to change unilaterally the contracts with the client on receipt of deposits, unless otherwise provided by the contract.

Changes related to banking services or interests on deposits or credits must be published in mass media and placed by the bank at the information stands in all its subdivisions.

5. Disputes arising in the course of performance of the contract shall be settled in court if they were not settled by the agreement of the parties.

6. The banks shall be held liable for the performance of taken obligations to the clients in accordance with the legislation of the Kyrgyz Republic, unless otherwise provided by the contract.

Article 51. Checks, Notes and Other Payment Instruments

1. The bank may use any clearing systems applicable in the international banking practice including:

- 1) checks and check books;
- 2) saving books, containing data about the amount on the account and giving the right to withdraw money upon presentation of the saving book;
- 3) credit cards used as payment documents (even though the client has no sufficient funds on the account the bank may extend him the credit to a certain level through the use of card in order to purchase goods or pay for services);
- 4) debt (payment) cards used as payment instrument provided the client has enough money on his account in the bank;
- 5) guarantee cards, being part of a check book, confirming that the bank will pay by the card the amount of money up to a certain limit previously agreed with the check issuer;
- 6) other payment instruments used in international banking practice which do not contradict to the Law.

2. The bank may also use cards, which give the client an opportunity to receive the money from special automatic machines using special code and the card. The use of such cards must be made with preliminary notification of the Bank of Kyrgyzstan.

Article 52. Client's Freedom of Choice

1. Legal entities and individuals shall be free to choose the bank to keep their own funds and obtain credit and clearing services, and may open any accounts and have accounts in one or several banks.

2. Legal entities and individuals shall dispose their funds independently.

Clients of the bank may freely withdraw money from their accounts upon provision of identification proof of their individuality provided that they do this in accordance with terms of their agreement with the bank.

Article 53. Prohibition of Use of Accounts for Criminal Purposes

In order to protect the reputation of the Kyrgyz Republic and its financial and banking system, to rule out the use of banks in operations related to the money "laundering", as well as to protect the interests of depositors and other creditors of the bank the use of banking accounts for criminal purposes shall be prohibited. The Bank of Kyrgyzstan on the basis of the legislation and international agreements (contracts) on this matter may issue the corresponding normative acts.

Article 54. Banking Secrets

1. The bank (including the Bank of Kyrgyzstan), its founders, shareholders, members of the Council of directors and Board, executive officers, employees of the bank and persons that work for the bank shall be prohibited to disclose to third persons or use for any purposes any information which was entrusted to them or to which they had an access in the process of relationships between the bank and the client.

This prohibition shall be extended to former clients of the bank and shall relate to all information received from such clients. Besides, the prohibition shall refer to all persons to which the banks provided services regardless of whether they have accounts in the bank or not.

2. The prohibition for disclosure of banking information shall include:

1) not allowing the use of received (entrusted) information for the benefit of the bank or any other person, unless there was a permission or instruction of the client;

2) not disclosing available information to third parties, except for the cases of providing information to the Bank of Kyrgyzstan and auditors upon performance of their duties and cases provided in Article 55 of this Law.

Article 55. Protection of Clients Interests

1. Certificate on operations, accounts and deposits of legal entities and individuals shall be issued to the owners of the accounts and their lawful representatives.

2. Certificates on balance and flow of money on the account of legal entities shall be issued:

1) to investigation bodies, on cases being in proceedings, with the authorization of the prosecutor on the basis of official request;

2) to the courts on cases being in their proceedings on the basis of court ruling.

3. Certificate on balance and flow of money on the accounts of individuals shall be issued:

1) to the representatives of the individual on the basis of notarized power of attorney;

2) to investigation bodies on criminal cases being in their proceedings with the authorization of the prosecutor;

3) to the courts on cases being in their proceedings on the basis of the court ruling.

4. Certificates on balance of money on the accounts of legal entities and individuals shall be issued to the tax inspection on the basis of official request on issues related to tax investigations.

5. All legal entities and their employees enumerated in points 2, 3, and 4 of this Article shall be held liable for disclosure of secrets received in the course of performance of their duties as provided by the legislation of the Kyrgyz Republic.

6. Certificates on accounts of the owner in case of his death shall be issued to his heirs acknowledged as such in accordance with legislation, as well as to the state notary agencies on succession cases being in proceedings on deposits of deceased depositors, and to foreign consular institutions.

Article 56. Arrest and Seizure of Money and Other Valuables in Banks, Suspension of Transactions on Client Accounts

1. Money and other valuables of legal entities in banks may be arrested only by court ruling, resolution of investigation bodies in accordance with the legislation of the Republic. Seizure may be imposed only by execution writs issued by courts.

2. Money and other valuables of individuals in banks may be arrested only by court ruling (verdict), resolution of investigation bodies with authorization of the prosecutor on cases in proceedings and collection may be levied on the basis of verdict or court ruling.

Taking of bank documents may be done only by court ruling or by investigation bodies with authorization of the prosecutor.

3. Confiscation of money and other valuables of individuals may be produced only on the basis of verdict in force or court judgment made in compliance with the Law and containing the norm on confiscation of property.

Article 57. Right of Minors on Deposits

1. Minor shall have the right to make deposits in banks and dispose them independently.

2. Deposit made by anybody in the name of the minor shall be disposed:

- by parents or lawful representatives until the minor reaches 14 years;
- by minors on their own when they reach 14 years.

Chapter VII Accounting and reporting in banks

Article 58. Accounting and Reporting in Bank

1. Fiscal year of the bank shall be established from January 1 until December 31 inclusively. In case the registration of the bank was done after January 1 then the first fiscal year shall start from the date of state registration of the bank and shall be ended on December 31 of the same year.

2. The nature, volume, list of forms and deadlines for submission of reports shall be determined by the Bank of Kyrgyzstan.

3. The bank shall be held liable in accordance with the legislation of the Kyrgyz Republic for authenticity and completeness of submitted information and reports.

4. Structure and deadlines of submission of annual report by the bank shall be established by the Bank of Kyrgyzstan.

Article 59. Publishing of Basic Indices of the Activities of the Bank

The bank shall publish its annual report including balance sheet and loss and profit report in format, accounting standards and within the terms established by the Bank of Kyrgyzstan after confirmation by the audit firm (auditor) of authenticity of data presented therein and approval of annual balance sheet and loss and profit report at the annual general shareholders' meeting.

Article 60. Registration and Keeping of Documents

The bank shall be obligated to secure strict accounting and keeping of documents used in accounting and upon compiling reports.

The list of basic documents subject to keeping and the term for their keeping shall be established by the Bank of Kyrgyzstan.

Article 61. On enactment of this Law

1. Effectuate this Law from the moment of signing.

2. It shall be established that subsection 4 of section 3 Article 8 for operating banks shall be effectuated by stages until 2003 in accordance with the program approved by the National Bank of the Kyrgyz Republic in coordination with commercial banks.

Until the adoption of the Law of the Kyrgyz Republic "On Credit Unions" the Bank of Kyrgyzstan shall have the right to issue licenses, set forth licensing rules and regulations as well as to issue acts on subjects of credit union activities.

3. The following shall be considered as invalid:

- the Law of the Kyrgyz Republic of December 12, 1992 # 1057-XII "On Banks and Banking Activities in the Republic of Kyrgyzstan";

- resolution of the Supreme Council of the Republic of Kyrgyzstan of December 12, 1992 # 1058-XII "On the Procedure of Enactment of the Law of the Republic of Kyrgyzstan "On Banks and Banking Activities in the Republic of Kyrgyzstan".

The President of the Kyrgyz Republic A.Akaev

Enacted by Legislative Assembly of
Jogorku Kenesh of the Kyrgyz Republic June 16, 1997

Approved by Assembly of Peoples Representatives
of Jogorku Kenesh of the Kyrgyz Republic July 2, 1997