

THE LAW OF THE KYRGYZ REPUBLIC

On securities market

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Chapter 1 General Provisions

Article 1. Subject Regulated by this Law

1. This Law regulates relationships initiated by issuance and circulation of issued securities, implementation of activities of securities market participants and relationships occurring in the process of state regulation of securities market.

2. Objects of securities market in the Kyrgyz Republic are as follows:

- issued securities and other documents acknowledged as such securities in compliance with Law or with the procedures established by Law;
- derivative securities;
- foreign issuers' securities admitted to circulation in the Kyrgyz Republic by the National Commission, in accordance with procedures established by legislation of the Kyrgyz Republic.

3. This Law shall not regulate issuance of the following types of securities:

- bonds of internal governmental and local debt issuances and other securities issued or guaranteed by the Government, the National Bank of the Kyrgyz Republic, and local government bodies;
- bank certificates except for the certificates which meet the requirements to issued securities in compliance with Article 2 of this Law;
- promissory notes;
- any payment liabilities of maturity period up to 1 year in documentary form which appears in the regular course of business;
- checks.

Issuance of the securities listed in Item 3 of this Article shall be regulated on the basis of appropriate laws of the Kyrgyz Republic.

Article 2. Basic Terms and Definitions Used in this Law

An issued security is any security which possesses all of the following features:

it provides a certain set of property and non-property title subject to certification, ceding and unconditional realization, in accordance with the forms and procedures provided by this Law;

it is placed by issuances;

the scope and term of the rights are equal within one issuance, regardless of the time when the security was acquired.

Dematerialized securities - securities the owner of which is determined on the basis of a record in a security holder registry, or, in case the securities have been deposited, on the basis of a record in the depo-account.

Materialized securities/securities in the paper form - securities the owner of which is determined on the basis of a presented security certificate drawn up in compliance with procedures established by legislation, or, in case the security has been deposited, on the basis of a record in the depo account.

Issued Security certificate - a document given by an issuer certifying the set of rights for the number of securities indicated in the certificate. A securities owner may, on the basis of such a certificate, require that the issuer fulfill its obligations.

Derivative securities - any securities which certify the owner's right to sell or buy securities. Activities with these securities in stock market or over-the-counter market shall be licensed. Peculiarity of derivative securities circulation is determined by normative acts of the National Securities Commission.

Securities issue - set of securities of one issuer which gives the same rights to every owner of securities of a particular type and have the same conditions of issuance (initial placement). All securities of the same issuance shall have one and the same state registration number.

Placement of securities - alienation of securities by an issuer the first owner - be conducting transactions under the terms of civil law.

Securities emission (issuance) - securities of an issuer that provide similar rights to their owners and that have similar conditions of issuance (first issuance). All securities must have the same state registration number.

Issuance prospectus - a document issued by a securities issuer and containing information on securities issued.

Circulation of securities - performance of transactions with securities under the terms of civil law.

Securities owner - a person who owns securities on the basis of the property right.

Primary securities market - relationships formed in the process of issuance and placement of securities between a professional stock market participant on the one side, and investors on the other side.

Secondary securities market - relationships formed in the process of circulation of securities issued previously between stock market participants, except for relationships in the primary securities market.

Issuer - a legal entity assuming liabilities to security holders on his behalf.

Professional securities market participants - individuals and legal entities licensed to conduct one or more types of professional securities market activities.

Broker - a professional securities market participant conducting transactions with securities upon the order, at the expense, and in the interests of clients.

Dealer - a professional participant conducting transactions with securities on his behalf and at his own expense in order to get profit from subsequent re-sale of securities or other transactions with these securities.

Underwriter - a professional securities market participant implementing placement of securities on behalf of the issuer and in accordance with conditions established by the agreement.

Investor - an individual or a legal entity investing his/her resources in securities.

A good faith purchaser - a legal entity or an individual who has acquired securities and made payment for them and at the time of purchase was not aware and could not be aware of the rights of any third parties to these securities, unless opposite has been proved.

Securities depository - a specialized organization formed by professional SM participants for the purpose of keeping and accounting securities and providing technical support on transactions with securities.

Clearing of transactions with securities - settlement of mutual requirements and liabilities of the parties involved in such settlement resulted by transactions with securities.

Trust manager - a professional SM participant conducting trust management of securities.

Depositor - a person being a depository's client to who enjoys services provided by a depository on a contractual basis services on transactions with securities owned by the depositor, or under his nominal holding.

Nominal holder - a person who is not a securities owner and who represents the owner's interests with respect to the owner's securities and exercises the rights provided by such securities on his behalf and on the basis of the agreement. Professional securities market participants may act as nominal security holders in accordance with legislation of the KR.

Listing - procedure for admission of securities to circulation on the stock exchange or in other organized securities markets.

State registration number - a numeric (in letters or characters) code identifying a particular securities issuance.

Securities portfolio - a set of securities of different types in the ownership or under management of a securities market participant.

Chapter 2 State Regulation of Securities Market

Article 3. State Body Regulating Securities Market

1. National Commission on Securities Market of the Kyrgyz Republic under the President of the Kyrgyz Republic (hereinafter referred to as the National Commission) is the central body of state management which carries out a uniform state policy in the securities market and implements regulation and control over the activities of securities issuers and professional securities market participants.

2. The National Commission shall consist of the Chairman of the National Commission and members of the National Commission.

The Chairman of the National Commission shall be appointed by the President of the Kyrgyz Republic.

In case it is impossible for the Chairman of the National Commission to implement his official duties, he may delegate his powers to one of the National commission members.

3. Members of the National Commission shall be appointed by the President of the Kyrgyz Republic upon the Chairman's of the National Commission recommendation.

4. The National Commission shall have the office insuring implementation of the Commission's activities. The structure and number of the employees of the Office of the National Commission shall be approved by the President of the Kyrgyz Republic.

5. For conducting independent examinations of draft decisions and normative documents related to performance of authorities of the National Commission, a consulting and advisory body - the Expert Council shall be formed under the National Commission which shall consist of representatives of state bodies and organizations whose activities are related to regulation of financial and securities market, representatives of professional SM participants, their unions, associations, and independent experts.

The National Commission shall independently approve activities of the Expert Council. Members of the Expert Council shall be approved by the Chair of the National Commission. The Head of the Expert Council shall be appointed by the Chair of the National Commission.

6. Expenses pertaining activities of the National Commission shall be paid on account of state budget and special funds received as commission fees for securities registration, license issuance, and from other sources not prohibited by legislation of the Kyrgyz Republic.

7. Members of the National Commission shall not have a right to implement commercial activities, except for teaching and research.

Article 4. Functions of the National Commission

The National Commission shall:

- determine major areas of development of securities market and co-ordinate activities of state bodies on the issues of SM regulation;

- draft and approve normative legal acts regulating the work of professional securities market participants and issuers;

- approve standards of securities issuance and issuance prospectuses of the issuers, including foreign issuers making the issuance in the Kyrgyz Republic, approve procedures for registration of the issuance and issuance prospectuses, and register securities and issuance prospectuses of issuers of the Kyrgyz Republic and of foreign issuers and determine requirements of admission of such securities for circulation in the securities market;

- develop and approve uniform standards and procedures for conducting of professional activities with securities, purchase and sale and other transactions with securities, recording and accountability, maintenance of a shareholder registry of a joint stock company, settlement and depository activities and keeping of securities;

- determine obligatory requirements and other terms for admission of securities to public placement and circulation;

- license various professional securities market activities, and revoke the licenses in question in the event of violation of requirements of legislation of the Kyrgyz Republic;

- conduct state registration of securities issuance;

- manage regional subdivisions of the National Securities Commission;

- set norms and carry out surveillance over compliance of securities issuance volume with number of securities placed and circulated;

- establish procedures, issue permissions for activities of self-regulatory organizations formed by professional securities market participants (unions, associations), suspend or cancel the permissions in question in the event of violation of legislation of the Kyrgyz Republic;

- develop recommendations on regulation of stock exchanges operation and activities;

- appoint inspectors for controlling professional stock market participants' activities;

- ensure creation of single information environment in the stock and financial markets of the Kyrgyz Republic and formation of accessible database on the issuers, professional SM participants and SM operation, and establish requirements and standards of information disclosure by the issuers and professional SM participants;

- assist in professional improvement of participants transactions with securities and organize research on securities market development;

- set qualification requirements for persons and organizations implementing professional activities with securities;

- provide explanation on the issues of application of securities legislation of the Kyrgyz Republic, professional SM activities, formation and operation of stock exchanges, and develop respective methodological recommendations;

- maintains registry of issued, suspended and annulled licenses;
- implement other measures for state regulation of relationships formed in the securities market.

Article 5. Rights of the National Commission under the President of the Kyrgyz Republic

The National Commission has a right to:

- qualify securities and determine their types in compliance with legislation of the Kyrgyz Republic;
- approve obligatory norms of sufficiency of internal resources and other indices minimizing risks for professional securities market participants in conducting transactions with securities;
- in the event of violation of the securities legislation of the Kyrgyz Republic by professional securities market participants, take a decision to suspend and revoke the license for conducting professional activities in securities market;
- deny, on the grounds provided by legislation of the Kyrgyz Republic, licensing a self-regulatory organization or a stock exchange (a stock department of a commodity exchange), and revoke the license;
- suspend or cancel securities issuance in the event of violation of securities legislation of the Kyrgyz Republic by the issuer in the course of issuance;
- conduct inspections and audit of financial operations of issuers and professional SM participants and appoint and discharge inspectors controlling activities of issuers, professional securities market participants and self-regulatory organizations of professional securities market participants;
- forward orders within the competence of the National Commission to issuers, professional SM participants, and self-regulatory organizations, mandatory for execution, and require necessary documents from these organizations;
- forward materials to the law-enforcing agencies and appeal in court (court of arbitration) in relation to the matters considered to be within the National Commission's jurisdiction, including appeals to the court (the court of arbitration) on invalidating transactions with securities;
- conduct selective control over authenticity of information provided by issuers and professional securities market participants and compliance of this information with the standards;
- adopt decisions on establishment and liquidation of regional subdivisions;
- set procedures of control over authenticity of information provided by issuers and professional securities market participants implemented by regional subdivisions of the National Commission;
- charge to the budget the revenues derived from placement of the securities in case the issuance has been registered with the state;
- request and obtain information on securities issuers and professional SM participants from state bodies;
- provide investigation and judicial bodies and representatives of the individuals, upon official request, with information of the issuers' securities;
- impose economic and administrative sanctions for violation of securities legislation of the Kyrgyz Republic.

Article 6. State Registration of securities issuance

State registration of securities issuance shall be conducted by the National Commission, in compliance with procedures established by this Law and other normative legal acts issued by the National Commission.

The National Commission shall maintain the General State Securities Registry in the Kyrgyz Republic.

The General State Securities Registry shall contain the following information:

- name of the joint stock company;
- legal and postal address;
- state registration number of the securities issuance;
- type of securities;
- authorized fund;
- nominal value of securities issued.

Issuance of securities not included in the General State Securities Registry shall be considered illegal.

Registration of securities with the National Commission may not be considered as the guarantee of the value of the securities.

Article 7. Licensing Professional Securities Market Participants' Activities

All professional securities market activities listed in Chapter 3 of this Law shall be implemented on the basis of a special permission a license.

Procedures and conditions of license issuance shall be set by legislation of the Kyrgyz Republic.

Chapter 3 Professional Securities Market Activities

Article 8. Professional Securities Market Participants

Professional securities market participants are legal entities and individuals licensed to conduct professional activities in securities market.

Article 9. Forms of Professional Securities Market Activities

The following professional activities may be conducted in the securities market:

brokerage;
dealing;
trust management of securities;
clearing;
depository activities;
investment funds' activities;
investment advisors' activities;
maintenance of security holder registries;
organization of trading in the securities market.

Article 10. Brokerage

1. Brokerage is conducting transactions with securities under the terms of the civil law by the person acting as a trust manager or a commission agent on the basis of a contract of agency or commission or, in case the contract does not stipulate authorities of the trust manager or the commission agent to conduct such transactions.

2. A professional securities market participant performing brokerage shall be known as a broker. Only a legal entity, being a commercial organization, may act as a broker.

3. Brokers may transfer the authority to conduct transactions to other brokers only. Such transfer shall be allowed if it is specified in the contract of agency or commission or in the cases where the broker has been forced to do so by force-majure circumstances in order to protect his client's interests, with further notification of the client.

4. A broker shall fulfill his client's instructions in good faith and in compliance with the contract. Transactions conducted upon the client's instructions shall in all cases take priority over the broker's own dealings, where a broker combines brokerage and dealing.

5. In the event the broker has an interest which impedes him from fulfilling his client's instructions on the most favorable conditions for the client, the broker shall immediately inform his client about such interest.

6. In case a broker acts as a commission agent, the contract of commission may provide an obligation to keep the money intended to invest in securities or received as a result of sale of securities in the broker's account, and the broker's right to use this money until it is returned to the client in accordance with the terms of the contract.

7. Should a conflict of interests between the broker and the client, of which the client was not informed before the broker had received an appropriate instruction, harm the client's interests, the broker shall reimburse the client's losses at his own expense in compliance with procedures established by civil legislation of the Kyrgyz Republic.

Article 11. Dealing

1. Dealing is conducting transactions on sales and purchase of securities on one's behalf and at one's own expense. Such transactions shall be conducted by promulgation of sale and/or purchase prices of particular securities with obligation to sell and/or buy such securities at prices declared by the person implementing these activities.

2. A professional securities market participant involved in dealing on his behalf and at his own expense with the purpose of getting profit by subsequent re-sale or concluding a transaction with securities, shall be known as a dealer.

Only a legal entity which is a commercial organization may be a dealer.

3. In addition to prices, a dealer shall declare other relevant conditions of an agreement of sale and purchase of securities, i.e. the minimum and maximum amount of securities sold and/or purchased, and the term of validity of prices declared.

In the event the dealer has avoided concluding an agreement, a legal action may be brought aimed at enforcement of conclusion of the agreement and/or reimbursement of the losses caused to the client.

Article 12. Trust Management of Securities

1. Trust management of securities is recognized as management of:
securities;
money intended for investing in securities;
money and securities received in the process of trust management of securities conducted by a legal entity or an individual entrepreneur on its/his behalf and for a financial reward during a specific period of time within which securities owned by another person shall be managed by the trust manager on behalf of the owner or the third parties specified by the owner.
2. Procedures for conducting trust management, rights and responsibilities of the trust manager shall be determined by legislation of the Kyrgyz Republic and by agreements.
3. When conducting his activities, a trust manager shall indicate that he is acting in the capacity of a trust manager.
4. In case a conflict of interests has occurred between a trust manager and his client, or between different clients of the same trust manager, which has not been made known to all parties in advance and has resulted in actions of the trust manager's that detriment interests of the client, the trust manager shall reimburse losses at his own expense, in accordance with procedures established by the civil legislation of the Kyrgyz Republic.

Article 13. Clearing

1. Clearing is determination of mutual liabilities (collection, reconciliation and correction of information on transactions with securities and preparation of accounting documents) and their offsetting against delivery of securities and payment of securities.
2. Organizations involved in clearing in connection with settlements on transactions with securities shall maintain accounting documents prepared in the process of determining mutual liabilities on the basis of contracts with securities market participants for whom payment are settled.
3. A clearing organization which conducts settlements on transactions with securities, shall form special funds to minimize risks of default on transactions with securities. The minimum size of the special funds of clearing organizations shall be established by the National Commission on Securities Market under the President of the Kyrgyz Republic upon agreement with the National Bank of the Kyrgyz Republic.

Article 14. Depository Activities

1. Depository activities is providing services on securities maintenance and/or accounting and/or transfer of the title to securities.
2. A professional SM participant conducting depository activities shall be known as a depository. Only a legal entity may be a depository.
3. A person using a depository's services for securities maintenance and/or accounting of the title to securities shall be known as a depositor.
4. An agreement between a depository and a depositor regulating their relationships in the process of depository activities shall be known as a depository agreement (an agreement on depo account). A depo agreement shall be concluded in the written form. A depository shall approve the terms of depository activities which are an indivisible component of the depo agreement.
5. Conclusion of a depo agreement shall not result in the transfer of a depositor's title to securities to a depository. A depository may not dispose of a depositor's securities, manage such securities or undertake any actions with respect to the securities on behalf of the depositor, except for those taken in accordance with the depositor's instructions in cases stipulated by the depo agreement. A depository may not include a stipulation in the depo agreement that a depositor renounces any of the rights incorporated by the securities. A depository is responsible under the terms of civil law for safety of deposited securities.
6. Depositors' securities shall not be liable to be used in settlement of the depository's liabilities.
7. Responsibilities of the depository shall be as follows:
register the facts of imposing liabilities on depositor's securities;
maintain a separate depo account of the depositor with indication of the date and every transaction in the account;
transfer entire information on securities received by the depository from the issuer or securities registry holder to the depositor.
8. A depository may be registered in the system of security holder registries or with another depository as a nominal holder in compliance with a depo agreement.
9. A depository shall be responsible for default or inappropriate fulfillment of its responsibilities for accounting of the title to securities, including the responsibility for completeness and accuracy of records in the depo accounts.

10. Under the terms of a depo agreement, a depository may receive in his own account the profit from securities kept with the purpose of transferring it to depositors' accounts.

Article 15. Investment Funds' Activities

An investment fund shall be formed with the purpose of attracting money through issuance and public placement of securities and subsequent diversified investment of the money in securities.

Establishment and operation of investment funds shall be regulated by legislation of the Kyrgyz Republic.

Article 16. Investment Advisors' Activities

The activities of an investment advisor shall be in the form of providing consulting services in the securities market.

Article 17. Activities on Maintaining a Security holder registry

1. Activities on maintaining a security holder registry are: collecting, recording, processing, maintaining, and submitting information which build the system of the security holder registry.

2. Only legal entities may conduct activities on maintaining a security holder registry.

3. Individuals conducting activities on maintaining a security holder registry shall be known as registry holders (registrars).

4. A registrar may not conduct transactions with securities of an issuer registered in the registry maintenance system. A registrar has right to deny issuers consulting on registry maintenance and shareholder rights.

5. A security holder registry maintenance system is the set of data recorded in paper and/or in the electronic form insuring identification of nominal holders and securities owners registered in the registry system and accounting of their title to securities registered in their name; the system shall provide the opportunity to send information to the above persons and form a securities owners' registry.

6. An issuer or a registrar maintaining the registry on the basis of the issuer's instruction may act as a registry holder. In case the number of owners is above 50, and in case of additional issuance of placement of securities on the stock exchange by the registry holder, the registry shall be maintained by the registrar independent of the issuer. The registrar may delegate part of its functions on collecting information included in the registry maintenance system to other registrars. Delegation of functions shall not release the registrar from responsibility to the issuer.

7. An issuer may conclude an agreement for maintaining a registry with one legal entity only. A registrar may maintain registries of owners of securities of an unlimited number of issuers.

8. A registry holder may charge the parties a fee for transaction corresponding to the number of instructions on transfer of securities; the amount of the fee shall be the same for any individual or a legal entity. A registry holder may not charge the fee in the form of percentage of the volume of transaction.

9. Any person who has violated registry maintenance or reporting procedures (to the issuer, the registrar, the depository, or the owner), may be prosecuted for reimbursement of the losses (including the missed profit) resulted from the liability to exercise rights granted by the securities.

10. A registry holder shall, upon demand of the owner or of the person acting on behalf of the owner, or the nominal securities holder, issue an extract from the registry on accounts of these persons within three business days. A securities owner may not require inclusion of information which is not related to him in the extract from the registry, including information on other security holders and the number of securities owned by them.

11. An extract from the registry is a document issued by the registry holder with indication of the owner of the account, number of securities of each issuance in this account as of the time of issuance of the extract, facts of imposing liabilities, and other information related to the securities in question.

12. The person who has issued an extract from the registry shall be responsible for completeness and authenticity of information in the extract.

13. Rights and responsibilities of the registry holder and procedures for maintaining the registry shall be determined by effective legislation and the agreement between the registry and the issuer.

14. In case a registry holder has been replaced, an issuer shall give notice of this in mass media or inform all securities owners in writing.

15. In the event of termination of the agreement on registry maintenance between the issuer and the registrar, the latter shall transfer to another registry holder indicated by the issuer information and documents comprising the registry maintenance system, and the registry as of the date of termination of the agreement. The transfer shall take place on the date of termination of the agreement.

16. Any extracts issued by the registry holder after the date of termination of the agreement with an issuer shall not be valid.

17. A registry holder shall introduce changes to the registry system in compliance with this Law and other normative acts of the Kyrgyz Republic.

18. An ungrounded denial to enter or avoidance from entering the record in the registry maintenance system shall result in the liability provided by legislation of the Kyrgyz Republic.

Article 18. Activities on Organization of Trading in the Securities Market

1. Organization of trading in the securities market shall be recognized as the provision of services directly facilitating performance of transactions with securities between securities market participants under the terms of the civil law.

2. A professional securities market participant organizing trade in the securities market shall be known as an organizer of trade in the securities market.

3. An organizer of trade in the securities market shall disclose the following information to any interested party:

procedures for admission of a professional SM participant to trades;
procedures for admission of securities for trades;
procedures for filing and registration of transactions;
procedures for conducting transactions;
procedures limiting price manipulation;
schedule of the services provided by the organizer of trade in the securities market;
regulations for introduction of changes and amendments to the items listed above;
list of securities admitted to trades.

4. Any interested party shall be provided with the following information on any transaction conducted in accordance with procedures established by the organizer of trade in the securities market:

date and time at which the transaction was concluded;
name of securities which were the subject of the transaction;
state registration number of securities;
price of a security;
number of securities.

5. The organizer of the trade shall ensure openness and transparency of trades by informing the members about time and place of trades, lists and quotation of securities admitted to circulation and the results of trading sessions.

Article 19. Limitations for Combining Professional Securities Market Activities

Registry maintenance may not be combined with other forms of professional activities in the securities market.

Limitations on combination of various forms of activities and transactions with securities shall be determined by the National Commission.

Chapter 4 Stock Exchange

Article 20. Stock Exchange

Only an organizer of trade in the securities market who does not combine trade organization activities of trading with other activities on securities except for depository and clearing activities may be a stock exchange.

A stock exchange is a non-profit organization.

Stock exchange officials may not be founders and be part of other professional stock market participants - legal entities, nor may they independently participate in the activities of the stock exchange as entrepreneurs.

Stock exchange and currency exchange departments recognized as such by legislation of the Kyrgyz Republic shall be qualified as stock exchanges for the purpose of this Law and shall be governed by the requirements of this Law presented to stock exchanges, with the exception of issues of establishment and organization structure.

Article 21. Members of a Stock Exchange

Any professional securities market participants implementing activities stipulated in Chapter 3 of this Law may be members of the stock exchange. Procedures for joining, withdrawal, or expulsion from the stock exchange shall be determined on the basis of the civil legislation of the Kyrgyz Republic.

Inequality in rights of stock exchange members is prohibited.

Article 22. Basic Rights and Responsibilities of a Stock Exchange

The stock exchange shall independently establish the amount of the following charges and procedures for collection: allocation of the fees received by the stock exchange members for participation in stock exchange transactions to the stock exchange;

contributions, duties and other payments made by members of the stock exchange for services provided by the stock exchange;

finances for violation of requirements of the stock exchange charter, trading rules of and other internal documents of the stock exchange.

A stock exchange shall establish procedures for entering in the list the securities admitted to circulation and procedures for listing and delisting.

The stock exchange shall ensure openness and transparency of trading by informing the members about time and place of trades, lists and quotation of securities admitted to circulation and the results of trading sessions.

The stock exchange may not determine the amount of fees charged by its members for stock exchange transactions.

Securities trade procedures (addenda and changes to them) of the stock exchange shall be approved by the National Commission.

Article 23. Procedures for Admission of Securities for Trading on the Stock Exchange

The following shall be admitted to placement and circulation on the stock exchange:

securities which have passed procedures for registration of securities issuance stipulated by this Law and have been included by the stock exchange in the quotation list of securities admitted to circulation on the stock exchange in compliance with its internal documents;

securities which have not been included in the above list may be the subject of stock exchange transactions in accordance with procedures stipulated by internal documents of the stock exchange;

other financial instruments in accordance with legislation of the Kyrgyz Republic.

Article 24. Settlement of Disputes Arising in Connection with Securities Trading on the Stock Exchange

Disputes between members of the stock exchange or between members of the stock exchange and its clients shall be settled by litigation according to legislation of the Kyrgyz Republic.

Chapter 5 Activities on Organization of Securities Trading in the Over-the-Counter Market

Article 25. Trading System of the Over-the-Counter Market

1. Securities trading in the over-the-counter (OTC) market shall be implemented by a nonprofit organization founded by a self-regulatory organization.

2. Organization of securities trading in the over-the-counter market is an exclusive activity which may not be combined with other professional SM activities. In the event of inappropriate fulfillment of obligations assumed or violation of trading procedures, the officials and participants of the OTC trading system of the over-the-counter market shall cover the losses of the stock market participant in compliance with legislation.

3. Operation of the OTC trading implies that services on transactions with securities shall be provided on paper and in the electronic form, within a particular territory, and may not be limited by transactions performed at one trading floor.

4. All internal documents regulating operation of the OTC trading system shall be approved by the National Commission.

Article 26. Participants in Trading Performed through the Trading System of Over-the-Counter Securities Market

Professional securities market participants shall be participants in the OTC trading system.

Article 27. Management of the Trading System of Over-the-Counter
Securities Market

Management bodies, functions, and powers of the OTC trading system and procedures for formation of and decision-making shall be determined by legislation of the Kyrgyz Republic.

Article 28. Revenues of the Trading System of Over-the-Counter
Securities Market

Revenues of the trading system of over-the-counter (OTC) securities market shall be formed at the expense of:
contributions and fees of participants;
money received for informational, consulting and other services provided by the Charter and Rules of Securities Trading in the OTC Securities Market;

other revenues which are not prohibited by the Charter and the Rules.

2. Revenues of the trading system shall be used for operation and development of the system.

Article 29. Transactions through the OTC Trading System of
Securities Market

1. Transactions through the OTC trading system of shall be conducted in accordance with the developed Rules of the OTC trading system which regulate the performance of professional participants in conducting transactions with securities.

2. The Rules shall contain the following provisions:

procedures for admission of securities to circulation in the OTC trading system;

registration and confirmation of transactions with securities;

settlement transactions facilitating securities trading;

settlement of disputes arising between participants of trades in the process of transactions with securities and settlement;

list of violations to be fined, amount of fines and charging procedures;

procedures for submission of information on purchase and sale prices and on the volume of transactions with securities;

amount of fees and other charges and payment procedures;

other requirements in compliance with normative documents of the National Commission.

3. The Rules of securities trading in the over-the-counter market trading system shall be approved by the National Commission.

Article 30. Publishing Information on Transactions with Securities

The bulletin of securities of OTC periodically published by the trading system shall contain general information on the number of transactions, quotation of securities circulating in the OTC market and other information determined by the National Commission.

Article 31. Termination of Activities of the OTC Trading System
of Securities Market

1. The quotation system of over-the-counter securities market shall cease its activities:

upon the founders' decision;

on the basis of a decision taken by judicial bodies;

in the event of revocation by the National Commission of previously issued license for the right to trade in the securities market.

2. The decision of the authorized agency on revoking the license issued previously may be appealed in court.

Chapter 6
Self-Regulatory Organizations of Professional
Securities Market Participants

Article 32. The Concept of a Self-Regulatory Organization of
Professional Securities Market Participants

1. A self-regulatory organization of professional securities market participants (hereinafter referred to as a self-regulatory organization) is a non-commercial organization, a voluntary association of professional securities market participants operating in compliance with this Law and other legislation of the Kyrgyz Republic.

2. A self-regulatory organization shall be founded by professional securities market participants in order to provide conditions for professional securities market participants' activities, ensure observance of professional ethics in the securities market, protect interests of securities owners and other clients of professional SM participants who are members of the self-regulatory organization, and establish rules and standards for transactions with securities ensuring efficiency of securities market operation.

Article 33. Rights of Self-Regulatory Organizations in Regulation of the Securities Market

A self-regulatory organization has a right to:

develop, in compliance with the provisions of this Law, rules and standards for professional activities and transactions with securities conducted by its members and implement control over observance of these rules and standards;

implement control over observance of rules and standards for professional activities and transactions with securities by its members;

in compliance with qualification requirements of the National Commission, develop educational programs and plans, train officials and other employees of organizations conducting professional activities in the securities market, and determine qualifications of the persons in question and issue qualification certificates to them.

Article 34. Requirements Presented to Self-Regulatory Organizations

1. An organization founded by at least five professional securities market participants may apply to the National Commission on Securities Market to obtain the status of a self-regulatory organization.

2. An organization established by professional SM participants shall obtain the status of a self-regulatory organization on the basis of a permission issued by the National Commission on Securities Market.

3. The following documents shall be submitted to the National Commission to obtain the permission:

1) copies of documents on state registration of the self-regulatory organization;

2) Rules and by-laws of the self-regulatory organization approved by its members and mandatory for execution.

4. Rules and by-laws of the self-regulatory organization shall contain obligatory requirements established by the National Commission.

5. A permission may be denied in case the documents submitted by the self-regulatory organization do not contain requirements listed in this Article, or, at least one of the following requirements is provided by the documents:

1) possibility of discrimination of rights of clients using services of the organization members;

2) unjustified discrimination against members of the organization;

3) unjustified restrictions enjoining and withdrawal from the organization;

4) restrictions which hinder development of competition between professional securities market participants, including regulation of rates of compensation and income from professional activities of the organization members;

5) regulation of issues being beyond competence of the self-regulatory organization or issues which do not correspond with the goals of the self-regulatory organization;

6) misrepresentation of information.

6. A permission may not be denied on any other grounds.

7. A permission of the self-regulatory organization may be revoked in case the National Commission has detected violation of the securities legislation of the Kyrgyz Republic, requirements and standards established by the National Commission, rules and regulations of the self-regulatory organization, or misrepresentation of information.

8. A self-regulatory organization shall submit to the National Commission information on all amendments introduced to the founding documents.

9. Rules and by-laws of the self-regulatory organization shall be approved by the National Commission.

10. A self-regulatory organization has right to conduct activities on organizing trades in the securities market upon getting the appropriate license from the National Commission.

Article 35. General Provisions

The form and procedures for certification, ceding and exercising rights incorporated by a security, shall be determined by the Civil Code of the Kyrgyz Republic and this Law and specified in the Decision on securities issuance.

The issuer has a right to issue securities from the moment of state registration and assignment of the state registration number by the National Commission. Any transactions with securities are prohibited before the securities issuance has been registered by the State.

Securities may be issued in one of the following forms:

- registered securities of materialized form (materialized registered securities);
- registered securities of dematerialized form (dematerialized registered securities);
- bearer materialized securities.

The form of securities chosen by the issuer shall be explicitly defined in the founding documents of the issuer and/or in the Decision on securities issuance and the securities issuance prospectus.

In the event of materialized securities, the owners may be given a single certificate for all securities of the same type purchased which shall indicate the total number, category and the nominal value of the securities purchased.

The owner or nominal holder of registered materialized securities may refuse from receiving a certificate.

The fact of issuance or refusal from receiving a certificate shall be recorded in the Registry.

One certificate may certify the right to one, several or all shares with the same state registration number assigned. The total number of shares registered in all certificates of the issuer shall not exceed the number of shares indicated in the Decision on securities issuance.

While making a decision on the issuance of materialized securities, the issuer may stipulate that certificates of securities under issuance issued be handed to their owners (free from mandatory centralized custody requirement), or be subject to mandatory centralized custody in depositories and may not be handed to all owners (subject to mandatory centralized custody requirement).

Securities of joint-stock companies issued in both materialized and dematerialized form shall not be subject to mandatory centralized custody requirement.

In case of materialized securities free from mandatory centralized custody requirement, the issuer may decide to have the securities, kept in centralized manner only if all securities of the same issuance have been transferred to the depository by the moment of the issuer's the decision.

Certificates of securities free from the centralized custody requirement may be transferred to the depository on the basis of the depository agreement.

Registered securities may be issued both in materialized and dematerialized forms. The form of securities shall be determined by the issuer. Securities under the same state registration number shall be issued in the same form. The form of issuance may be changed upon decision of the issuer's management body which has made a decision on securities issuance, with approval of all owners of the securities whose form is and upon registration of the above decision in the appropriate state agency.

Any property and non-property rights certified by securities in materialized and dematerialized forms shall be recognized as issued securities without consideration of their type, if conditions of their production and circulation comply with requirements to issued securities defined in Article 2 of this Law.

Securities issued by foreign issuers shall be admitted to initial circulation or public offering in the securities market of the KR after the issuance prospectus has been registered with the National Commission on Securities Market of the KR.

Article 36. Basic Requisites of Shares

1. A share is an issued security which certifies its holder's (shareholder's) right to a portion of profit of the joint stock company in the form of dividends, participation in management of a joint stock company, and for a portion of the company's property upon its liquidation. Shares may be registered only, circulating freely or with a number of limitations.

2. Shares may be common or preferred. The nominal value of shares shall be the same irrespective of the number of issuances.

3. A share shall contain the following requisites:

- name of the security - "share" and the category of the share;
- issuer's firm name;
- buyer's firm name or personal name;
- place and date of issuance, state registration number, series and ordinal number of the share;
- samples of signatures (facsimiles) of the issuer's authorized persons and the rights provided by the share;
- nominal value;

- amount of the joint stock company's authorized fund as of the date of share issuance;
- number of issued shares by type;
- terms of payment of dividends;
- basic shareholder rights.

4. All shares issued by joint stock companies shall be ensured by the property.

In the event of reorganization of the company, all liabilities on the shares issued shall be transferred to the legal successors.

5. Bank loans shall be prohibited to use for purchasing shares.

Article 37. Basic Requisites of Bonds

1. A bond is an issued security certifying its holder's right to receive from the bond's issuer, within the terms provided in the bond, its nominal value or other property equivalent. A bond also provides its holder with the right to fixed interest on its nominal value incorporated in the bond or other property equivalent. Bonds may be bearer or registered, circulating freely or with a limited circulation.

Bonds shall be issued in series consisting of similar securities which have the same conditions of issuance and redemption.

2. Bonds may be registered only.

3. The nominal value of a bond shall not be limited.

4. Bonds shall be issued by legal entities.

Terms of bond issuance and dissemination shall be determined by this Law and other normative legal acts of the Kyrgyz Republic.

5. A bond shall contain the following requisites:

- name of the security - "bond";
- bond issuer's firm name;
- buyer's firm name or name;
- nominal value;
- amount of interest, if any;
- terms and procedures for redemption and paying the interest;
- place and date of issuance and state registration number, series and ordinal number of the bond;
- facsimiles of the issuer's authorized persons.

Article 38. Decision on securities issuance

The Decision on securities issuance shall contain the following features:

full name of the issuer and its legal address;

date of the Decision on securities issuance;

name of the issuer's authorized body which made the Decision on securities issuance;

type of securities to be issued;

record of state registration of securities issuance and state registration number of securities;

owner's rights incorporated in a security;

securities placement procedures;

issuer's obligation to ensure the owner's rights provided the owner complies with the procedures for exercising these rights established by legislation of the Kyrgyz Republic;

number of securities to be issued;

total number of securities-issued with a given state registration number and the nominal value;

form of securities (materialized, dematerialized, registered securities);

seal of the issuer and signature of the issuer's manager;

other requisites stipulated by this Law to be indicated for each type of securities issued.

For securities issued in the materialized form, the issuer is required to additionally submit a description (sample) of the certificate.

A separate Decision on securities issuance shall be registered for each separate securities issuance.

The issuer may not change the registered Decision on securities issuance in the parts stipulating rights incorporated in the security as established by the above Decision.

A Decision on securities issuance shall be made in two or three copies, each certified by the registration body. One copy of the Decision shall be retained by the registration body, the second one shall be kept by the issuer, the third copy shall be given to the registrar (if any.) If discrepancies shall be found in the texts of the three copies, the one kept by the registration body shall be considered the original text.

Access of the owners to the original text of the registered Decision kept by the issuer or the registrar, may not be restricted.

Article 39. Form of Certification of Rights Incorporated by a Security

For materialized securities, the security, the certificate and the Decision on securities issuance shall be considered the documents certifying the rights incorporated by a security.

For dematerialized securities, a Decision on securities issuance shall be considered the document certifying the rights incorporated by a security.

A security incorporates property rights in accordance with legislation of the KR and to the extent they have been established in the Decision on securities issuance.

A security certificate shall contain the following mandatory requisites:

full name of the issuer and his legal address;

type of security;

state registration number of securities;

procedures for securities placement;

issuer's obligation to ensure the owner's rights, provided the owner observes the requirements established by legislation of the Kyrgyz Republic;

number of securities certified by the certificate;

total number of securities issued under the same state registration number;

indication of the type of securities issued: materialized, with mandatory centralized custody requirement, or dematerialized, free from mandatory centralized custody requirement;

indication of the type of ownership: registered or bearer securities;

seal of the issuer; signatures of managers of the issuer and signature of the person issuing the certificate;

other requisites which may be required by this Law.

A mandatory requisite of a registered security certificate is the owner's name.

If discrepancies shall be detected between the text of the Decision on securities issuance and the data provided in the security certificate, the owner may require that the rights incorporated by his security be exercised to the extent as established in the certificate. In accordance with legislation of the KR, the issuer shall be responsible for any discrepancy between the data provided in the certificate and the data provided in the Decision on securities issuance.

Securities issuance which has been denied registration in accordance with the requirements set in this Law, shall not be subject to placement.

Chapter 8 Securities Issuance

Article 40. Issuance Procedure and its Stages

The issuance procedure, if not otherwise stipulated by legislation of the KR, shall include the following stages:

the Decision of the emitent to issue securities;

registration of the issuance;

for materialized form of issuance - publishing shares and/or security certificates;

placement of securities;

registration of the report on the results of securities issuance.

In the event of issuance, the Prospectus shall be registered when securities have been placed among more than 50 owners and when the total volume of the issuance exceeds 500 minimal monthly salaries established by legislation of the Kyrgyz Republic.

The following stages are added for registration of the securities issuance Prospectus:

preparation of the Prospectus;

registration of the Prospectus;

disclosure of entire information contained in the Prospectus.

Issuance procedure for government and municipal securities and conditions of placement and circulation shall be regulated by the laws of the KR.

It is prohibited to issue securities that are derivatives of those securities which have been denied registration.

Article 41. Registration of Securities Issuance

The following documents shall be submitted by the issuer to the registration body:
application for registration;
the Decision on securities issuance;
Prospectus (if registration of the issuance is accompanied by registration of the Prospectus);
copies of founding documents (if the issuance has been undertaken to form a joint-stock company);
documents certifying the permission of the issuance by the authorized executive body (if such permission shall be required by legislation of the KR).

The National Commission has a right to request other documents.

The issuer and its officials responsible for completeness and validity of information contained in the above documents, (if such responsibility shall be established by the Charter and/or internal documents of the company) and for performing their obligations in accordance with legislation of the KR.

In the process of registration, the issuance is assigned a state registration number. The procedures for assigning a state registration number shall be established by the National Commission.

The National Commission shall register the issuance or make a substantiated decision for denial of registration within 30 days from the date of receipt of the documents indicated in this Article.

Article 42. Reasons for Denial of Registration of Securities Issuance

The following are reasons for denial of registration of an issuance:

violation of requirements of the securities legislation of the Kyrgyz Republic by the issuer, including the data in the submitted documents which allows conclude that terms of issuance and circulation of securities contradict legislation of the KR, and the terms of issuance are inconsistent with the securities legislation of the KR;

incompleteness and/or inconsistency of the submitted documents and information contained in these documents with the requirements of this Law;

inclusion in the Prospectus or. in the Decision on securities issuance (other documents which serve as a basis for registration of the securities issuance) of false or misleading information.

The decision on denial of registration may be appealed in court or in the Court of Arbitration.

Article 43. General Requirements to the Prospectus

The Prospectus shall contain the following:

information on the issuer;

information on the financial condition of the issuer. This information is not included in the Prospectus of a joint stock company under formation, except for the cases when a legal entity has been transformed into a joint stock company;

information on the forthcoming issuance.

Information on the issuer shall include:

a) full name and acronym of the issuer, or names of founders;

b) legal and postal address of the issuer;

c) number and date of the certificate of state registration as a legal entity;

d) information on the persons who own at least 5% of the authorized capital;

e) management structure of the issuer as indicated in its founding documents, including a list of all members of the Board of Directors, management and administration performing the same functions as of the moment of passing the Decision on securities issuance. The list of members shall include names (first name, patronymic name, last name) of each member; position, both current and those held over the last five years; share in the issuer's authorized capital of those who directly participate in the capital;

f) list of all legal entities of which the issuer owns more than 5% of the authorized capital;

g) list of all branches and representative offices of the issuer containing full names, date and place of registration, legal address, and names (first, patronymic, last) of their managers;

h) affiliation of the issuer to industrial, banking or financial groups, holdings, associations, investment funds, or public organizations, membership at commodity, currency, stock or other exchanges with indication of name and location.

Information mentioned in items d) - g) of part two of this Article is not to be included in the Prospectus of an issuance, if the latter has been undertaken in the process of founding a joint stock company, except for cases of reorganization of a legal entity of a different organizational and legal form into a joint stock company.

Information on the financial condition of the issuer shall include:

balance sheets proved by the resolution of the independent audit inspection. Income Statement of the issuer, including the profit distribution statement in the standard form for the last three complete fiscal years, or for each complete fiscal year from the moment of foundation (if less than three years);

information on the independent auditor: license number, term of validity, date of issuance, issuer, issuer's name, legal and postal address;

balance sheet of the issuer as of the end of the quarter preceding the Decision on securities issuance;

report on the formation and utilization of the reserve fund, over the last three years or the period of time since formation of the issuer;

information on the general areas of profit utilization over the last three fiscal years or over the period since formation of the issuer;

information on financial resources allocated to capital investments, construction in progress and non-installed equipment;

amount of liabilities and budget overdue as of the date of the Decision on securities issuance;

information on the authorized capital of the issuer: (amount of authorized capital, number and type of securities and their nominal value, names of owners whose share in the authorized capital exceeds that set by anti-monopoly legislation of the KR);

report on the previous issuance, including types of securities issued, number and date of state registration, name of registration body, value of the issuance, number of shares issued, terms of income payment, first and last dates of placement of the securities, and other rights of owners;

information on administrative and economic sanctions imposed on the issuer by state management bodies, court, state arbitration, or third party court; date of the sanction, the body which has imposed the sanction, type of sanction, amount and extent of execution as of the moment as of the moment of the Decision on securities issuance.

Information on the forthcoming issuance shall include:

information on securities to be issued (form and type, method of custody, registration of the title to securities), total value of issuance, number of securities in the issuance);

information on the issuance (date of the Decision on securities issuance, name of the body who made the Decision on securities issuance, restrictions for potential owners, place where securities can be purchased by potential owners; if security certificates are kept and/or the title to securities is registered in the depository - name and legal address of the depository);

first and last dates of placement of securities;

prices and procedures of payment for securities purchased;

professional participants in the securities market or their associations to be involved in the placement, as of the moment of registration: names, legal addresses, functions performed in the placement;

income from securities (procedures of income distribution, methodology of determining the amount of income);

name of the registration body;

areas of utilization of the resources raised through securities issuance;

risk factors by group: environmental, social, technical, economic.

Article 44. Information on Securities Issuance To Be Disclosed by Issuer

In case of open (public) offering which requires registration of Prospectus, the issuer shall ensure access to information contained in the Prospectus and publish a note of disclosure in the press.

The issuer, as well as professional participants in the securities market involved in placement of securities, shall ensure access for any potential owners to the disclosed information prior to purchase of securities.

If at least one issuance undertaken by the issuer has been accompanied by registration of the Prospectus, the issuer shall disclose information on securities and financial and economic activities as follows:

quarterly report of the issuer;

notice on material facts pertaining to financial and economic activities of the issuer.

The issuer's quarterly report shall contain the following information:

codes assigned by the registration body to notes of disclosure of material facts pertaining to financial and economic activities of the issuer;

data on financial and economic activities;

balance sheet, profit and loss statements as of the end of the reporting period;

facts which resulted in more than 20% increase in the net profit/ loss of the issuer during the reporting quarter, compared to the previous quarter;

date on formation and utilization of the reserve and other specialized funds of the issuer.

The quarterly report shall be made on the basis of results of each complete quarter within 30 calendar days following the end of reporting period. The quarterly report shall be approved by the issuer's authorized body.

The following notes shall be classified as notes of disclosure of material facts pertaining to financial and economic activities of the issuer:

changes in the list of members of management body (with the exception of the general meeting of a limited liability company and the general shareholder meeting of a joint-stock company);

changes in the amount of share in the authorized capital of the issuer, its subsidiaries or dependent companies, held by members of the issuer's management body; share of the members of the issuer's management body in authorized capitals of other legal entities (if more than 20% of the above capital is owned);

changes in the list of shareholders of the issuer owing 20% or more in the issuer's authorized capital;

changes in the list of legal entities in which the issuer owns 20% or more of the authorized capital;

reorganization of the issuer, of its subsidiaries or dependent companies; income from securities accrued and/or paid;

redemption of securities;

facts of suspension or invalidation of the issuance;

registration of a person holding more than 25% of the issuer's shares of any type.

Notes of disclosure of material facts pertaining to financial and economic activities of the issuer shall be forwarded by the issuer to the registration body to be disclosed in accordance with Article 51 of this Law, within 5 business days following the date on which the fact requiring a disclosure was registered.

Article 45. Terms of Placement of Securities

The issuer may start placement of securities only upon registration of the issuance. Proceeds received as a result of placement shall be kept in the accumulation account. The issuer is prohibited to use the proceeds of the placement before the end of subscription term and registration of the results of the issuance with the NSC.

The number of securities placed may not exceed the number indicated in the founding documents and in the Prospectus of securities issuance.

The number of securities placed by the issuer may be less than the number of securities indicated in the Prospectus. The actual number of securities placed shall be indicated in the issuance report submitted for registration. The National Securities Commission shall establish a criterion for invalidation of the issuance. Investor funds, in case of invalidated issuance, shall be returned in accordance with procedures established by the National Securities Commission.

The issuer shall complete placement one year later from the first date of issuance, if different terms have not been established by legislation of the KR.

It is prohibited to start placement of new shares earlier than two weeks after all potential owners have been ensured access to information on the issuance to be disclosed in accordance with this Law. Information on the price of placement may be disclosed on the first date of the placement.

No privileges shall be allowed during a public placement or circulation of securities to one potential owner over others. This provision shall not be applied in the following cases:

if shareholders of a joint - stock company have been given a privilege in purchasing shares of the new issuance in the number which is proportional to the that owned as of the moment the Decision on securities issuance);

if the issuer has set restrictions for purchasing securities by non-residents.

Article 46. Report on the Results of Securities Issuance

The issuer shall submit to the registration body a report on the results of the issuance within 30 days after the last date of placement.

The report on the results of the issuance shall contain the following information:

1) first and last dates of placement;

2) actual price of placement (by type of securities of the same issuance);

3) number of securities placed;

4) total amount of receipts for securities distributed, including:

a) funds received in Som paid for placed securities;

b) funds received in foreign currencies in the national currency at the exchange rate of the National Bank of KR as of the moment of payment);

c) amount of tangible and intangible assets paid for securities, in the national currency of the Kyrgyz Republic (Som).

Additionally, the report on the results of the share issuance shall provide a list of stock owners the amount of which shall be determined by the National Commission on Securities Market.

The registration body shall consider the report on the results of the issuance within two weeks and if no violations with respect to the issuance have been detected, the report shall be registered. The registration body shall be responsible for the completeness of registered report.

Article 47. Bad Faith Issuance

Bad faith issuance and actions which violate issuance procedures established in this section and which serve as a basis for denial of registration of the issuance by registration bodies, invalidation or suspension of the securities, shall constitute the definition of the unfair issuance.

Registration of the issuance may be denied on the basis of reasons described in Article 42 of this Law.

The issuance may be suspended or invalidated if the following violations have been detected by the registration body:

violation of requirements of legislation of the Kyrgyz Republic by the issuer, committed in the course of the issuance;

detection of false information in the documents which serve as a basis for registration of the issuance.

If violations of the issuance procedure have been detected, the registration body may also suspend the issuance until the violations have been rectified (within the term of placement.) The issuance may be resumed upon special permission of the registration body.

If the issuance has been invalidated, all issued securities shall be returned to the issuer and the funds received from the invalidated issuance shall be returned to the owners. The National Commission may apply to the court to have the above funds returned to the owners.

All costs related to invalidation of the issuance and return of owners' funds shall be covered by the issuer.

If a violation has been committed in the form of the number of securities in circulation exceeding the number of securities indicated in the Prospectus, the issuer shall ensure redemption and liquidate those securities issued in excess.

If, within two months, the issuer shall not ensure redemption and liquidation of securities issued in excess, the National Commission may apply to the court to claim the funds unreasonably collected by the issuer.

Article 48. Specific Features of Share Issuance by Lending Organizations

Funds received in the course of share issuance of banks and lending agencies in the process of issuance shall be accumulated in a special account opened by the issuing bank.

The regime of the above accumulative account shall be established by the National Bank of the KR.

Chapter 9 Circulation of Securities

Article 49. Certification of Title to Securities

A title to a materialized securities shall be certified by the security itself (if kept by the owner), by a certificate (if kept by the owner), or both by the certificate and a record in the depo account in the depository (if the certificate has been passed to the depository for custody).

The title to dematerialized securities shall be certified in the Registry maintenance system by making a record in the owner's personal account, or, if the title has been registered in the depository, in the owner's depo account maintained in the depository.

Article 50. Transfer of Title to Securities and Exercising Rights Incorporated by a Security

The title to dematerialized registered securities shall be transferred to the buyer in the following cases:

if the title to the securities has been registered by the entity performing depository functions - upon entering a cash-in record in the buyer's depo account;

if the title to the securities has been registered in the Registry maintenance system - upon entering a cash-in record entered in the buyer's personal account.

The title to a materialized registered security shall be considered transferred to the buyer:

if the buyer's title to the securities has been registered in the Registry maintenance system, upon entering a cash-in record in the buyer's personal account;

if the buyer's title to a materialized registered security has been registered by an entity performing depository functions, and the security or the certificate have been kept in the depository - upon entering a cash-in record in the buyer's depo-account.

Rights incorporated by the security shall be transferred to the buyer at the moment of transfer of the title to the security. Transfer of rights incorporated by the registered security shall be accompanied by notification of the Registry holder or the depository, or the nominal holder of the security.

The rights incorporated by a materialized registered security may be exercised upon presentation of the security or its certificate to the issuer or his authorized representative. If the certificate is kept by the owner, the name of the owner indicated in the certificate shall be the same as that indicated in the Registry.

If a materialized security or the certificate are kept in the depository, the rights incorporated by the security shall be exercised on the basis of the security or the certificate upon instruction in the form of the depository agreement with the owner. A list of owners of such securities shall be attached to the certificate. In that case, the issuer shall ensure rights incorporated by bearer securities for the persons included in the above list of owners.

The issuer shall ensure rights incorporated in dematerialized registered securities for those persons indicated in the Registry maintenance system.

If no information on the new owner data has been provided to the Registry holder of the given issuance, or to the nominal holder of the security by the moment of closing the Registry to fulfill the issuer's obligations which make up a security (voting rights, dividends, etc.) the issuer's fulfillment of obligations before the owner registered in the Registry at the moment of closing, shall be considered appropriate. The buyer of the security shall be responsible for timely notification of the issuer.

Authenticity of individual signatures in the documents certifying the transfer of the title to securities as well as of security-incorporated rights, (except for cases stipulated in legislation of the KR), may be certified in the notary or by a professional securities market participant.

Chapter 10 Informational Support on Securities Market

Article 51. Disclosure of Information

Disclosure of information is access to information for all interested parties, regardless of purposes for acquiring the information in compliance with procedures, which ensures that it will be located and obtained.

Disclosed information in the securities market is information with respect to which action has been taken to ensure its disclosure.

Generally accessible information in the securities market is information access which does not require special privileges to access, or information which shall be disclosed in compliance with this Law.

The issuer of publicly placed securities shall disclose information related to his securities and financial and business activities in the following forms:

report on the securities;

notification of material events and actions effecting the issuer's financial and business activities.

The report on the securities shall contain the following information:

1) information on the issuer:

list of persons from the issuer's management bodies, including the size of their share in the authorized capital of the issuer and of the issuer's subsidiaries and dependent companies;

list of owners (shareholders) of the issuer who own 5% or more of the issuer's authorized capital;

list of legal entities in which the issuer owns 5% or more of the authorized capital;

list of branches and representative offices of the issuer;

information on reorganization of the issuer and of the issuer's subsidiaries and dependent companies;

2) information on financial and business activities of the issuer:

balance sheets, profit and losses statements for the last completed three financial years and as of the end of the completed reporting year;

facts resulted in increase or decrease of value of the issuer's assets by more than 10% within the reporting year;

facts resulted in increase of the issuer's net profit or loss by more than 20% within the reporting year;

information on formation and utilization of the issuer's reserve fund and other special funds;

any transactions performed by the issuer involving sums of money or property of the value which exceeds 10% of the issuer's assets as of the date of transaction;

information on the areas of investment which involved resources raised through securities issuance;

3) information on the issuer's securities:

types of securities issued by the issuer during the reporting year;

information on the issuer's income from securities (for the reporting year);

4) other information.

The report shall be drawn up on the basis of the results of every completed year within 30 calendar days following the end of the year. The annual report shall be approved by the issuer's authorized body and submitted to the National Commission on Securities Market; it shall also be provided to securities owners upon their request.

Notification of material events and actions effecting the issuer's financial and business activities shall be as follows:

information on reorganization of the issuer, its subsidiaries and dependent companies;

information on facts which have caused a one-time increase or decrease of the value of the issuer's assets by more than 10%, on facts which have caused a onetime increase of the issuer's net profit or loss by more than 10%, and on facts of the issuer's one-time transactions involving sums of money or property of the value of 10% or more of the issuer's assets as of the date of transaction;

information on the issuer's securities issuance and on accrued and/or paid income on the issuer's securities;

information on the person who was included in the issuer's registry of and who owns more than 5% of any type of the issuer's securities;

information on the dates of registry closing, on the term set for the issuer to fulfill his obligations before the owners, and on decisions of the general meetings;

information on the decision on securities issuance taken by the issuer's authorized body.

The issuer shall forward notifications of material events and actions effecting its financial and business activities to the National Commission on Securities Market within five days following such events or actions. These notices shall also be published within the same period of time in mass media published in the volume of circulation which covers most of the issuer's securities owners.

The owner shall disclose information on his ownership of any issuer's securities in the following cases:

if the owner has acquired ownership of 5% or more of any type of the issuer's securities;

if the owner has increased his portion of ownership of any type of the issuer's securities to the extent which is divisible by every 5% of more than 5% of this type of securities;

if the owner has reduced his portion of ownership of any type of the issuer's securities to the extent which is divisible by every 5% of more than 5% of this type of securities.

The owner shall disclose information specified (including name or legal name, type and state registration number of the securities, the issuer's legal name, and the number of securities owned by the owner within five days following appropriate actions by informing the National Commission on Securities Market.

Professional securities market participants shall disclose information on their transactions with securities in the following cases:

a professional securities market participant has, within one quarter, conducted transactions with one type of securities of the same issuer, if the number of securities involved in these transactions equals at least 100% of the total number of the securities in question;

a professional securities market participant has conducted one transaction with one type of securities of the same issuer, if the number of securities involved in this transaction equals 5% and more of the total number of the securities in question.

Professional securities market participants shall disclose this information (which includes legal name of professional securities market participant, type and state registration number of the securities, the issuer's legal name, the price of one security, and the number of securities involved in respective transactions) within five days following the end of the corresponding quarter or a corresponding transaction, by informing the National Commission on Securities Market.

In case a professional securities market participants has either offered and/or declared sale or purchase prices of securities, he shall disclose all of the generally accessible information in his possession which has been disclosed by the issuer of these securities or indicate that he does not possess of such information.

Procedures for disclosure of information shall be established by the National Commission on Securities Market. Professional securities market participants who provide services in promulgation of information on securities to be disclosed shall follow procedures for disclosure of information on securities and rules established by the National Commission on Securities Market. Persons who provide services in promulgation of information on securities to be disclosed shall follow procedures for disclosure of the information on securities and rules established by the National Commission on Securities Market.

Article 52. Insider Information

For the purpose of this Law, insider information shall be as any information on the issuer and securities issued which is not generally accessible and which places persons who possess this information by their position, business responsibilities, or a contract concluded with the issuer at an advantage compared to other securities market participants.

Article 53. Persons in Possession of Insider Information

Persons in possession of insider information are as follows:

members of the management bodies of the issuer the professional securities market participant who has entered into a contract with this issuer;
professional securities market participants;
auditors of the issuer or the professional market participant who has entered into a contract with this issuer;
government employees who have access to the information by their authority including the authority to inspect and supervise.

Members of management bodies of issuers and of the legal entity which is a professional securities market participant shall be persons permanently or temporarily occupying these positions in legal entities which involve organizational or administrative responsibilities, and persons specially authorized to fulfill these responsibilities.

Article 54. Transactions Conducted with the Use of Insider Information

Persons in possession of insider information may not use it with the purpose of conducting transactions or pass this information to third parties.

Violators of this requirement shall be liable in compliance with legislation of the Kyrgyz Republic.

Article 55. Requirements to Advertising

Advertisement shall contain the advertiser's legal name (name). An advertiser who is a professional securities market participant shall also include in advertisement information on activities conducted in the securities market in relation to the advertisement.

The advertiser shall be prohibited:

to advertise inauthentic information on his activities and on types and characteristics of securities offered for sale or purchase and for other types of transactions and conditions of such transactions, or any other information intended to deceive or mislead securities owners and other securities market participants;

to indicate in the advertisement the anticipated rate of income on securities and forecast growth of the market price of securities;

to use advertisement for the purpose of bad faith competition by indicating real or imaginary drawbacks of professional securities market participants conducting similar activities, or issuers issuing similar securities.

In case the advertisement contains any element indicated in the part two of this Article, advertising of securities shall be considered bad faith advertisement.

The following shall also be regarded as bad faith advertising: public announcement of guarantees or otherwise drawing attention of potential owners to information on profitability of a security, its insurance as compared other securities or to other financial instruments, deliberate provision of false or inauthentic information which may or has misled potential owners with respect to securities purchased.

The advertiser shall be liable for harm caused by bad faith advertising according to legislation of the Kyrgyz Republic.

In case advertisement has been recognized as bad faith, contracts between the advertiser and the advertisement distributor shall be declared null and void.

Article 56. Information Other than Securities Market Advertising

Advertisement in the securities market does not include generally accessible information on securities and issuers indicated in Article 51 of this Law, or information presented to authorized agencies for the purposes of fulfillment of their functions on regulating the securities market in compliance with legislation of the Kyrgyz Republic.

Information on securities issuance performed by an issuer and on applied and/or paid dividends shall be considered advertising.

Article 57. Prohibition against Advertising Unregistered Securities Issuance

Under the law of the Kyrgyz Republic, advertisement of securities is prohibited before the date of registration of the issuance. Contracts for advertising unregistered securities issuance shall be considered null and void. Agencies which

have registered securities issuance may take legal action with respect to consequences resulted from invalidation of these contracts.

Article 58. Grounds for Termination of Securities Advertising Contract

Recognition of securities issuance as invalid shall serve as a basis for termination of the securities advertisement contract. A contract for advertising the invalidated issuance which shall be terminated as of the time of notification of the advertiser by the registration agency which has declared the securities issuance invalid. The distributor may require that the advertiser reimburse any losses resulted from termination of the advertising contract.

Article 59. Liability for Violation of Securities Legislation of the Kyrgyz Republic

1. Violators of the provisions of this Law and other securities legislation acts of the Kyrgyz Republic shall be liable in cases and in compliance with procedures provided by the civil, administrative, or criminal legislation of the Kyrgyz Republic.

Damage caused as a result of violation of the securities legislation of the KR shall be subject to compensation in accordance with procedures established by civil legislation of the KR.

2. Professional securities market participants may not manipulate prices in the securities market or force potential investors to buy or sell securities by presenting deliberately false or distorted information on the securities offered, on the issuer, or the prices, including advertised information. The above actions committed by a professional participant in the securities market shall serve as a basis for suspension or invalidation of their license, as well as application of other sanctions stipulated for members of selfregulatory organizations.

The fact of price manipulation shall be identified through court proceedings.

3. The following actions shall be brought by the National Commission against those issuers who have undertaken bad faith issuance:

- take measures for suspension of the placement resulted from bad faith placement;

- publish a notice in mass media on bad faith issuance, and provide reasons for suspension of the placement resulted form of the bad faith issuance;

- send a notice to the issuer requiring rectification of violations, making changes in the Prospectus, terms of the issuance, and setting the time-frame for rectification of the above violations;

- send the results of inspections of bad faith issuance to the court, so that administrative measures be applied to the officials of the issuer, in accordance with legislation of the KR;

- send the results of inspections of bad faith issuance to the public prosecution agency if criminal features have been detected in the actions of the issuer's officials;

- issue a permission to resume placement if all violations in connection with an bad faith issuance have been rectified;

- bring a legal action on invalidation of the bad faith issuance if it resulted in considerably misleading of the owners, or if goals of the issuance contradicted principles of public order and morality.

4. Officials of the issuer which made the Decision on securities issuance which has not been registered, shall be subject to administrative or criminal charges in accordance with legislation of the KR.

5. An issuance which has not been registered with the state shall be considered illegal and result in liability in accordance with legislation of the KR.

6. Unlicensed professional activity in the securities market shall be considered invalid.

The following measures shall be taken by the National Securities Commission against unlicensed participants in the securities market:

- suspend unlicensed activities;

- publish a notice in mass media on the fact of unlicensed activities conducted by the participant in the securities market;

- send a notice to the participant requiring that the participant obtain a license within the prescribed time-frame;

- send the results of inspections of unlicensed activities to the court to apply measures for administrative or criminal violation to officials of the professional SM participants, in accordance with legislation of the KR;

- apply to the Court of Arbitration to charge all funds received by the participant as a result of conducting unlicensed activities in the securities market to the government budget;

- apply to the Court of Arbitration to enforce liquidation of the participant in the case a professional license was not obtained within the prescribed time-frame.

7. If facts of bad faith advertising have been detected, the National Commission shall:

- take measures for suspension of bad faith advertising;

send a notice to the advertiser requiring termination the advertisement within the prescribed time-frame;
publish a notice in mass media on bad faith advertising and advertisers;
send the results of the bad faith advertisement to the court to apply administrative measures to officials of the participant in the securities market practicing bad faith advertising, in accordance with legislation of the Kyrgyz Republic;
suspend professional license of the participants practicing bad faith advertising;
bring a legal action for invalidation of the issuance if bad faith advertising has considerable misled owners of securities.

8. Issuers, their officials and professional securities market participants shall have a right to appeal against the action of the National Commission for prosecution of violations of securities legislation of the KR, in accordance with procedures stipulated by legislation of the KR.

9. In cases stipulated by this Law and other securities acts of the KR, securities market participants shall ensure property interests of investors by pledge, guarantee and by other instruments stipulated by civil legislation of the KR.

Article 60. Commercial Secret

1. Entities working in the securities market, their officials and employees are prohibited to disclose to third parties or use information which was entrusted to them or which they had access to.

This prohibition shall apply to ex-clients of the above entities and shall be valid for entire information received from these clients. Besides, this prohibition applies to all persons to whom these entities have provided any services.

2. The above prohibition does not include:

- disclosure of available information to employees of the National Commission on Securities Market under the President of the KR, to auditors, while the latter are performing their professional functions; and in the cases stipulated by Article 61 of this Law.

Article 61. Protection of Investor Interests

1. Information on transactions with securities, accounts, or number of securities owned by legal entities or individuals as recorded in security owner registries, shall be disclosed to the owners and their legitimate representatives.

2. The above information on legal entities and individuals shall be disclosed:

to investigation bodies for cases under investigation, upon authorization of the public prosecution upon official request;

to courts for cases under litigation on the basis of the decision of the court;

to representatives of the individual on the basis of a notarized power of attorney.

3. Information with respect to transactions with securities, accounts transactions, number of securities owned by legal entities and individuals as recorded in security owner registries shall be disclosed to the tax inspectorate upon official request for the purposes of tax investigations.

4. References pertaining to the above information, in the case of death of the owner, shall be disclosed to his heirs, recognized in accordance with legislation of by state notaries (on heir cases) in processing, and to foreign consular organizations.

Article 62. Requirements Resulted from Coming into Force of this Law

Investment institutions conducting professional activities in the securities market on the basis of professional license issued prior to coming into force of this Law, and stock exchanges shall bring their founding and internal documents in compliance with this Law within one year as of the date of its official publication. The National Commission may prolong the above term up to two years.

Chapter 11 Final Provisions

Article 63. Procedures for Coming into Force of this Law

1. This Law shall come into force as of the date of its official publication.

2. The following shall be considered invalid:

- The Law of the Kyrgyz Republic "On Securities and Stock Exchange" of December 21, 1991 ("Vedomosti of Jogorku Kenesh of the Kyrgyz Republic, 1991, # 22, Article 696);

- Section IV of the Law of the Kyrgyz Republic "On Making Amendments and Annexes to Certain Legislative Acts of the Kyrgyz Republic" ("Vedomosti of Jogorku Kenesh of the Kyrgyz Republic, 1994, # 5, Article 165);

- The Law of the Kyrgyz Republic "On Making Amendments and Annexes to the Law of the Kyrgyz Republic "On Securities and Stock Exchanges" of May 27, 1994 ("Vedomosti of Jogorku Kenesh of the Kyrgyz Republic", 1994, # 7, Article 226);

- The Law of the Kyrgyz Republic "On Making Amendments and Annexes to the Law of the Kyrgyz Republic "On Securities and Stock Exchanges" of June 23, 1995 (Vedomosti of Jogorku Kenesh, 1995, # 7, Article 250);

- The Law of the Kyrgyz Republic "On Making Amendments and Annexes to the Law of the Kyrgyz Republic "On Securities and Stock Exchange" of September 28 and October 10, 1995 ("Vedomosti of Jogorku Kenesh of the Kyrgyz Republic, 1995, # 10, Article 399);

- The Law of the Kyrgyz Republic "On Making Amendments and Annexes to the Law of the Kyrgyz Republic "On Securities and Stock Exchange" of March 22, 1996 ("Vedomosti of Jogorku Kenesh of the Kyrgyz Republic, 1996, # 5, Article 65).

3. The Government of the Kyrgyz Republic shall:

- submit to Jogorku Kenesh of the Kyrgyz Republic suggestions for bringing legislative acts of the Kyrgyz Republic in compliance with this Law;

- bring decisions in compliance with the provisions of this Law.

President of the Kyrgyz Republic A.Akaev