

**THE LAW OF THE KYRGYZ REPUBLIC**

**On the National Bank of the Kyrgyz Republic**

- Chapter I. General provisions
- Chapter II. Reporting by the Bank of Kyrgyzstan
- Chapter III. Capital of the Bank of Kyrgyzstan
- Chapter IV. National currency of the Kyrgyz Republic
- Chapter V. Monetary-credit regulation
- Chapter VI. Relations between the Bank of Kyrgyzstan and the  
Government
- Chapter VII. Relations between the Bank of Kyrgyzstan and other  
banks
- Chapter VIII. Foreign economic ties and currency operations
- Chapter IX. Organization of management of the Bank of Kyrgyzstan
- Chapter X. Employees of the Bank of Kyrgyzstan
- Chapter XI. Final provisions

Chapter I  
General provisions

Article 1. National Bank of the Kyrgyz Republic

1. The National (Central) Bank of the Kyrgyz Republic (The Bank of Kyrgyzstan) shall constitute the bank of the Kyrgyz Republic and shall fall under ownership of the Republic.

2. The Bank of Kyrgyzstan shall be a juridical person and shall carry out its activities in compliance with this law and shall not seek profit.

3. The location of the Bank of Kyrgyzstan shall be the city of Bishkek. The Bank of Kyrgyzstan shall have the right to set up branches, representative offices and to appoint its representatives both within the Kyrgyz Republic and abroad.

The Bank of Kyrgyzstan shall have a seal bearing its name and image of the State Emblem of the Kyrgyz Republic.

4. It shall be prohibited to use the combination of words "Bank of Kyrgyzstan", "Kyrgyz Banky", the acronyms "CBKR" and "NBKR" as well as words "Central", "National", in the names or logos of other banks, in the full or shortened form, in any language.

5. The Kyrgyz Republic shall not bear responsibility for obligations of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall not bear responsibility for obligations of the Kyrgyz Republic.

Article 2. Purpose of the activity of the Bank of Kyrgyzstan

The purpose of the activity of the Bank of Kyrgyzstan is to achieve and maintain the stability of prices through implementation of appropriate monetary and credit policy according to this Law.

Article 3. Primary task of the Bank of Kyrgyzstan

The primary task of the Bank of Kyrgyzstan, facilitating achievement of its purpose (or subordinate to the main purpose), is to support the purchasing power of the national currency, to ensure effectiveness, safety and soundness of the banking and payment of the Republic.

Article 4. Functions of the Bank of Kyrgyzstan

The Bank of Kyrgyzstan shall have the following functions:

- 1) formulation and implementation of the monetary - credit policy of the Kyrgyz Republic;
- 2) formulation and implementation of a uniform foreign exchange policy;
- 3) exercise of an exclusive right to issue currency;
- 4) acting as the lender of last resort to banks in accordance with the present Law;
- 5) establishment of rules for conduct of banking operation, accounting and reporting in the banking system;
- 6) licensing of banking operations, activity of pawn shops, attraction of funds by legal entities from the population on terms of time, collectibility and solvency in accordance with the legislation of the Republic and registering licenses issued;
- 7) regulation and supervision of the banks' and financial credit institutions' practices licensed by the Bank of Kyrgyzstan;
- 8) facilitation of effective functioning of the payment system and of execution inter-bank payments;
- 9) exercise of the foreign exchange regulation, including issue of regulations on foreign exchange operations, as well as operations of purchase, sale and exchange of foreign currencies in accordance with the legislation of the Republic;
- 10) ownership and management of the official foreign exchange reserves in accordance with this Law;
- 11) preparation, in cooperation with the National Committee for Statistics, of the balance of payments of the Kyrgyz Republic;
- 12) representation of the interests and acting in the name of the Kyrgyz Republic at international meetings, conferences and organizations relating to monetary credit and banking policy;
- 13) fulfillment of other functions, powers and rights according to the legislation of the Republic.

#### Article 5. Operations of the Bank of Kyrgyzstan

To achieve the objectives established by this Law, the Bank of Kyrgyzstan shall exercise, on terms determined by itself, the right to carry out the following operations:

- 1) to make loans repayable in not more than six months, secured by securities and other assets determined by the Bank of Kyrgyzstan in accordance with this Law and the legislation of the Kyrgyz Republic;
- 2) to carry out banking operations on servicing banks and other financial credit institutions;
- 3) to buy and sell checks, promissory notes and bills of exchange of first-class issuers, backed, as a rule, by commodities, with maturity of not more than six months;
- 4) to buy and sell on the secondary market securities issued by the Government of the Kyrgyz Republic;
- 5) to buy and sell securities issued by the Bank of Kyrgyzstan as well as securities issued by foreign states and international organizations;
- 6) to buy and sell precious metals and other types of exchange medium;
- 7) to buy and sell foreign currencies;
- 8) to open accounts with banks and financial institutions;
- 9) to act as an intermediary in transactions with funds provided by international financial institutions for financing various programs, under conditions established by the Management Board of the Bank of Kyrgyzstan;
- 10) to carry out other banking operations which are not prohibited by the Law.

#### Article 6. Organization of activities of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall independently organize and carry out its activities within the limits of authority established by this Law and not contradicting it.

The interference of any body of state power in the resolution of the questions delegated to the Bank of Kyrgyzstan by this Law shall be prohibited.

2. The Bank of Kyrgyzstan shall coordinate its policy with the Government of Kyrgyzstan to the extent that it does not contradict its purpose and objectives.

#### Article 7. Regulations of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan, as regards the issues assigned to its competence by this and other laws, shall establish interpretation of the banking terminology and issue regulations binding on all banks, juridical and natural persons engaging in certain banking operations on the bases of licenses granted by the Bank of Kyrgyzstan, as well as by clients and executive bodies.

2. Regulations of the Bank of Kyrgyzstan directly effecting the rights, freedoms and obligations of citizens shall be registered in the order established by the laws in respect of the official registrations and legislative acts.

3. The regulations of the Bank of Kyrgyzstan shall come into force as of the date of publication in the official bulletin of the Bank of Kyrgyzstan, except for cases provided for in the regulations themselves. The regulations of the Bank of Kyrgyzstan shall not be retroactive.

### Chapter II

#### Reporting by the Bank of Kyrgyzstan

#### Article 8. Reporting by the Bank of Kyrgyzstan

1. The fiscal year of the Bank of Kyrgyzstan shall be established from 1 January to 31 December inclusively.

2. Accounting and reporting shall be continuously carried out by the Bank of Kyrgyzstan in accordance with the international accounting practices and shall reflect its operations and financial position.

3. The Bank of Kyrgyzstan shall prepare an annual financial report containing the balance sheet of the Bank of Kyrgyzstan, profit and loss account and other related reports established by the Management Board of the Bank of Kyrgyzstan.

The structure of the balance sheet of the Bank of Kyrgyzstan shall be established by the Management Board of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall publish its consolidated balance sheet in through the mass media on a monthly basis.

#### Article 9. Audit by the Bank of Kyrgyzstan

1. No later than six months before the end of a financial year of the Bank of Kyrgyzstan, the Assembly of People's Representatives of Jogorku Kenesh of the Kyrgyz Republic shall take a decision on conduct of an audit of the Bank of Kyrgyzstan and shall select, on recommendation of the Bank of Kyrgyzstan, an audit firm with a good international reputation and experience in conducting audits of central (national) banks of not less than ten years.

2. The Bank of Kyrgyzstan, in accordance with an agreement concluded with the audit firm, shall submit to it reports and information necessary to accomplish the audit according to the international auditing practices.

The fee for the audit firm for conduct of the audit of the Bank of Kyrgyzstan shall be paid out of the Bank of Kyrgyzstan's own.

#### Article 10. Annual report of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall submit an annual report to the Assembly of Peoples' Representatives not later than 30 April of the year following the reporting year.

2. The annual report of the Bank of Kyrgyzstan shall include the following:

1) audited financial statements of the Bank of Kyrgyzstan;  
2) other reports on the activities of the Bank of Kyrgyzstan, as determined by the Management Board of the Bank of Kyrgyzstan.

3. The Assembly of People's Representatives of Jogorku Kenesh of the Kyrgyz Republic shall consider the annual report of the Bank of Kyrgyzstan before 1 July of the year following the reporting year.

4. The Bank of Kyrgyzstan shall annually publish in the mass media the main analytical data included in the annual report and concerning the situation in the financial and banking systems of the Republic.

#### Article 11. Information on the policy followed by the Bank of Kyrgyzstan

1. Twice a year, the Bank of Kyrgyzstan shall prepare and submit to the Assembly of Peoples' Representatives of Jogorku Kenesh of the Kyrgyz Republic the official information on the main directions of the policy followed by the Bank of Kyrgyzstan in the sphere of monetary and credit relations as well as on the issues of development of the financial and banking sector of the Republic.

2. The information of the main directions of the activities of the Bank of Kyrgyzstan shall be published in the mass media.

### Chapter III Capital of the Bank of Kyrgyzstan

#### Article 12. Capital of the Bank of Kyrgyzstan

1. The capital of the Bank of Kyrgyzstan shall consist of the paidup authorized capital, reserves formed from profits and assets revaluation reserves.

2. The Bank of Kyrgyzstan shall have the paid-up authorized capital in the amount of 50 million soms. The Bank of Kyrgyzstan may not alienate or pledge its authorized capital to any party.

3. The amount of the authorized capital of the Bank of Kyrgyzstan may not be increased or decreased without introducing appropriate amendments to this Law.

4. Should the Bank of Kyrgyzstan at the end of a financial year have a net loss not covered by the general and required reserves, the Government of the Kyrgyz Republic shall offset this loss in order to bring the size of the capital back to the amount stipulated in paragraph 2 of this Article by direct transfer of funds or by assignment to the Bank of Kyrgyzstan of transferable securities carrying market interest and guaranteed by the Kyrgyz Republic.

#### Article 13. Reserves and profits of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall create:

1) required reserves maintained at the level of the twofold paid-up authorized capital and formed from the net profit before deductions to the budget of the Kyrgyz Republic;

2) general reserves formed from the net profit after deductions to the budget of the Kyrgyz Republic (retained earnings), with regard to provisions of paragraph 5 of this Article;

3) revaluation accounts relating to operations with foreign currencies, gold, fixed and other assets, according to the accounting standards, independent of the profit and loss account.

2. The order of formation and use of reserves and special accounts shall be established by the Bank of Kyrgyzstan in accordance with the international practice and with regard to the provisions of this Law.

3. The profit of the Bank of Kyrgyzstan shall be determined as of the end of the financial year, in accordance with the accounting standards, after taking into account all the revenues and expenses of the given period, including:

- operating and other general and administrative expenses necessary to ensure normal operation of the Bank of Kyrgyzstan and accepted in the international practice;

- all revenues and expense accruals;

- deductions to special reserves, amortization of assets, payment to pension funds, deductions for the required insurance of the employees of the Bank of Kyrgyzstan and other deductions and expenses stipulated by relevant provision and accepted in the international practice.

4. The following deductions shall be made from the profit of the Bank of Kyrgyzstan:

1) to authorized capital when it is being increased in the order provided for in Article 12 of the present Law;

2) to the required reserves until they reach the level established by paragraph 1 of this Article.

5. Should the deductions stipulated by paragraph 4 of this Article reduce the capital of the Bank of Kyrgyzstan below the level established by paragraph 2 of Article 12 of this Law, all profit shall be transferred to the general reserves until the authorized capital of the Bank of Kyrgyzstan reaches the established size.

6. Seventy per cent of the profit after the deductions stipulated by paragraphs 4 and 5 of this article shall be transferred to the budget of the Kyrgyz Republic. The transfer shall be effected at the end of the a financial year, after the audit and approval of the annual report of the Bank of Kyrgyzstan.

7. The balance of the net profit after deductions to the budget of the Kyrgyz Republic shall be transferred to the general reserves of the Bank of Kyrgyzstan.

#### Chapter IV

#### National currency of the Kyrgyz Republic

##### Article 14. Monetary unit

1. The monetary unit (the currency) of the Kyrgyz Republic shall be the som. One som consists of 100 tyins.

2. The cash currency shall be issued in the form of bank and coins.

##### Article 15. Issue of currency

The Bank of Kyrgyzstan shall have the exclusive right to issue and withdraw the currency (notes and coins.)

##### Article 16. Means of payment

1. Som is the only legal means of payment in the territory of the Kyrgyz Republic which both juridical and natural persons must accept without limitations.

2. In case of unjustified refusal to accept som as means of payment, officials and citizens shall bear responsibility in accordance with the legislation of the Kyrgyz Republic.

3. Forgery and illegal reproduction of the currency of the Kyrgyz Republic shall be prosecuted by Law.

##### Article 17. Value of som in terms of other currencies

1. The Bank of Kyrgyzstan shall announce the official rate of exchange between som and other currencies.

2. Exchange operations between som and other currencies in the territory of the Kyrgyz Republic shall not be limited.

#### Article 18. Organization of money circulation

To organize the money circulation on the territory of the Kyrgyz Republic, the Bank of Kyrgyzstan shall:

1) develop and approve the procedure for conduct of cash operations for banks and financial institutions licensed by the Bank of Kyrgyzstan;

2) make forecasts of required issues of notes and coins;

3) ensure formation of reserves of notes and coins and place orders to manufacture currency (notes and coins);

4) establish general requirements for safe-keeping, transportation and collection of cash currency, to be followed by banks;

5) establish the procedure for determining the genuineness of the notes and coins in the course of execution of payments;

6) determines signs of protection against counterfeit and order of placement of the issued currency, as well as the procedure for disposing of damaged or withdrawn notes and coins;

7) use other methods and mechanisms of regulation accepted in the international practice.

### Chapter V

#### Monetary-credit regulation

#### Article 19. Monetary-credit policy of the Bank of Kyrgyzstan

The Bank of Kyrgyzstan shall formulate the monetary-credit policy of the Kyrgyz Republic and implement it in cooperation with the Government of the Kyrgyz Republic.

#### Article 20. Regulation of the money in circulation

The regulation of the volume and structure of the money supply shall be exercised by the Bank of Kyrgyzstan with the use of the following means:

1) purchase and sale of securities issued and guaranteed by the Government of the Kyrgyz Republic;

2) purchase and sale of securities issued and guaranteed by the Bank of Kyrgyzstan;

3) purchase and sale of foreign currencies;

4) changing the volume of and the interest rate on the loans granted by the Bank of Kyrgyzstan;

5) changing the size of required reserves to be deposited with the Bank of Kyrgyzstan;

6) other means and methods accepted in the international practice.

#### Article 21. Securities issued by the Bank of Kyrgyzstan

For the purpose of conduct of the monetary - credit policy, the Bank of Kyrgyzstan shall have the right to issue securities and carry out types of operation with them in accordance with the international practice.

#### Article 22. Required reserves

1. The Bank of Kyrgyzstan shall establish for banks the size of the required reserves to be deposited at the Bank of Kyrgyzstan for payment.

2. The size, rules of computation and procedure for depositing of the required reserves, as well as fines for failure to meet them, shall be established by the Management Board of the Bank of Kyrgyzstan.

#### Article 23. Regulation of the level of interest rates

The Bank of Kyrgyzstan shall exercise the regulation of the level of bank interest rates in the Kyrgyz Republic by means of the instruments of monetary - credit policy.

### Chapter VI Relations between the Bank of Kyrgyzstan and the Government

#### Article 24. Ban on lending to the Government of the Kyrgyz Republic

1. The Bank of Kyrgyzstan may not make loans to the Government of the Kyrgyz Republic and other state authorities.

2. The Bank of Kyrgyzstan may not in any form provide financial assistance to bodies to state power as well as to business partnerships or companies.

#### Article 25. Operations with securities issued by the Government of the Kyrgyz Republic

In order to implement the monetary - credit policy, the Bank of Kyrgyzstan shall have the right to purchase and sell securities issued by the Government of the Kyrgyz Republic only on the secondary security market except for cases when securities of the Government of the Kyrgyz Republic have been received in order to increase the authorized capital of the Bank of Kyrgyzstan.

#### Article 26. Deposit taking

1. The Bank of Kyrgyzstan shall act as a depository bank and render banking services to the Government of Kyrgyzstan only in respect of accounts opened by the Treasury of the Kyrgyz Republic or the Ministry of Finance of the Kyrgyz Republic in accordance with international treaties (agreements) ratified in the order established in the legislation.

2. Besides deposits accepted in accordance with paragraph 1 of this Article, the Bank of Kyrgyzstan shall have the right to accept deposits from foreign correspondent banks, banks and financial and credit institutions, in the order determined by the Bank of Kyrgyzstan and provisions of a relevant agreement.

3. Payment operations shall be executed within the balances in such accounts, if not otherwise stipulated by correspondent banking agreements.

#### Article 27. Role of the Bank of Kyrgyzstan as the fiscal agent and adviser

1. The Bank of Kyrgyzstan shall act as the fiscal agent of the Government of the Kyrgyz Republic, on terms agreed between the Ministry of Finance of the Kyrgyz Republic and the Bank of Kyrgyzstan.

As the fiscal agent of the Government of the Kyrgyz Republic the Bank of Kyrgyzstan may perform the agent's functions relating to the servicing of the external debt of the Government of the Kyrgyz Republic.

2. The Bank of Kyrgyzstan shall act as a financial adviser to the President of the Kyrgyz Republic, the both Houses of Jogorku Kenesh of the Kyrgyz Republic, the Government of the Kyrgyz Republic in respect of financial and other matters connected with banking activities.

3. When considering a draft of the republican budget, the Government of the Kyrgyz Republic shall consult the Bank of Kyrgyzstan.

4. Drafts of legislative acts and regulations concerning financial and banking activities shall be considered by the President of the Kyrgyz Republic, the both Houses of Jogorku Kenesh of the Kyrgyz Republic and the Government of the Kyrgyz Republic only after the Bank of Kyrgyzstan has presented its opinion.

Regulations issued by ministries, state committees, administrative departments and other executive bodies concerning the matters of the financial and banking systems shall be subject to approval by the Bank of Kyrgyzstan.

## Chapter VII Relations between the Bank of Kyrgyzstan and other banks

### Article 28. Loans granted to other banks

1. In order to support the liquidity of banks, the Bank of Kyrgyzstan may grant banks short-term interest-bearing loans repayable in not more than six months, on the condition that one of the following types of security acceptable to the Bank of Kyrgyzstan is provided:

gold and other precious metals;

A. foreign currency;

bills of exchange in the national and foreign currencies maturing within six months and other obligations acceptable to the Bank of Kyrgyzstan;

A. deposits with the Bank of Kyrgyzstan or with another credit institution acceptable to the Bank of Kyrgyzstan;

securities issued by the Government of the Kyrgyz Republic;

A. other types of security acceptable to the Bank of Kyrgyzstan.

In cases established by the Bank of Kyrgyzstan, other assets and commodity-backed papers shall be eligible to be accepted as security.

2. The procedure for and terms of lending shall be established by the Management Board of the Bank of Kyrgyzstan and made known to commercial banks.

The Bank of Kyrgyzstan may grant various types of loans to banks and, correspondingly, set different interest rates on them depending on the type of the loan issued.

The Bank of Kyrgyzstan shall not grant credit in the form of overdraft on operations conducted between commercial banks.

The Bank of Kyrgyzstan shall create special reserves to offset potential losses, according to the quality of the assets and recognized as a deductible expense.

3. In emergency situations, in order to protect the integrity of the banking system, the Bank of Kyrgyzstan may make unsecured loans or loans secured by other types of asset, on terms established by the Management Board of the Bank of Kyrgyzstan.

An emergency loan may be granted for a term of not more than six months. This term may be extended by a decision of the Management Board of the Bank of Kyrgyzstan. During the life of such a loan, the Bank of Kyrgyzstan shall establish a special regime provided for in the regulations of the Bank of Kyrgyzstan in respect of the borrower.

### Article 29. Arrangement of settlements

1. To ensure normal operation of the payment system of the Republic, the Bank of Kyrgyzstan shall execute inter-bank payments and other forms of settlement in compliance with the international banking practice.

The Bank of Kyrgyzstan shall determine eligibility of payment and clearing systems to be established in the Republic.

2. The Bank of Kyrgyzstan shall bear responsibility for prompt execution of payments made through the Bank of Kyrgyzstan.



## Article 30. Banking regulation and supervision

1. The Bank of Kyrgyzstan, as the agency of banking supervision and regulation of the practices of banks and other financial -credit institutions licensed by the Bank of Kyrgyzstan, shall supervise their practices in order to maintain a stable financial system, support and protect the interests of depositors and other creditors, ensure observance of the laws of the Kyrgyz Republic and regulations of the Bank of Kyrgyzstan.

2. In order to fulfill its functions concerning supervision and regulation of the practices of banks and other financial institutions licensed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have the right:

to establish economic standards, to issue directives, instructions and recommendations as well as take other actions which it deems necessary or expedient for the purposes of licensing and supervision, as well as procedure for realization of these functions, by means of establishing appropriate rules and standards according to this Law;

to conduct on-site inspections of banks and their branches as well as companies related to them by mutual interests (insiders and affiliated companies) or delegate the conduct of such inspections to independent auditors or audit firms;

A. to require and receive such information and reports as it may consider necessary and expedient for effective fulfillment of its supervisory functions, and to require explanation of the information received;

B. to give instructions to take measures of financial rehabilitation, introduce caretaker management, suspend or revoke a license or impose a fine according to this Law in order to prevent unsafe or imprudent or unfair practices;

to issue regulations relating to the detection and prevention of financial machinations and money laundering operations, and requiring that specific measures be taken (including submission of necessary reports to the Bank of Kyrgyzstan or other authorities, changing the banking procedures, training of personnel, submission of information about bank customers);

A. to suspend, on a written request from law enforcement bodies responsible for detection and prevention of financial machinations, or by its own decision, for a period established by the regulations of the Bank of Kyrgyzstan, any banking operation which, according to the legislation of the Kyrgyz Republic, fits into the category of suspicious operations.

The responsibility for unjustified suspension of banking operations shall be borne by the person or organization on whose initiative it was effected.

The operation-specific information received from banks and other financial institutions licensed by the bank of Kyrgyzstan shall not be disclosed without the consent of the institutions concerned, except for the cases provided for in the legislation of the Kyrgyz Republic.

3. The Bank of Kyrgyzstan may cooperate with foreign banking supervisory authorities on principles of reciprocity with regard to supervision and licensing of banks operating or intending to operate under their jurisdiction.

The Bank of Kyrgyzstan may exchange with foreign supervisory authorities the information on any bank which is operating or intends to operate under the both jurisdictions provided that such foreign supervisory authorities observe the confidentiality of the information received.

## Article 31. Economic standards set by the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan, in order to fulfill its functions of regulation of the activities of banks and other financial institutions licensed by the Bank of Kyrgyzstan, in accordance with international standards, shall establish and declare the following economic standards:

the minimum authorized capital, minimum capital (own funds);

A. the capital adequacy ratio;  
B. the maximum exposure to one borrower;  
C. the liquidity ratios;  
D. the foreign exchange, interest and other risk limits;  
other standards necessary to ensure financial stability and applied in the international banking practice.

The method of computation of the economic standards is determined by regulations of the Bank of Kyrgyzstan.

2. The Bank of Kyrgyzstan shall establish the order of formation and the size of the deductible reserves to cover potential lending, leasing and other losses as well as the foreign exchange, interest and other financial risks.

Article 32. Preventive measures and sanctions used by the Bank  
of Kyrgyzstan

1. In case of violation of the economic standards, banking laws, regulations and instructions of the Bank of Kyrgyzstan by banks and other financial institutions licensed by the Bank of Kyrgyzstan, or failure to submit information or submission of untruthful and/or incomplete information or insolvency of banks or financial institutions, the Bank of Kyrgyzstan may:

issue obligatory instructions to rectify the violations immediately or within a specified period;

use other sanctions in accordance with paragraph 2 of this Article;

A. suspend or revoke the license;

B. start the process of liquidation in case of insolvency.

The Bank of Kyrgyzstan, while taking measures against banks and financial institutions licensed by the Bank of Kyrgyzstan, shall be guided by the necessity to maintain high standards of the banking standards of the banking practice and stability of the financial system of the Kyrgyz Republic. The Bank shall not be guided or fall under the influence of shareholders, or take into account potential losses which they may suffer due to some actions which may be undertaken by the Bank of Kyrgyzstan in order to protect the interests of creditors and/or the stability of the financial and banking system of the Republic.

The Bank of Kyrgyzstan shall not bear responsibility for any losses incurred due to the sanctions stipulated by this Law.

2. Should the instructions of the Bank of Kyrgyzstan to rectify violations be not complied with within the prescribed period of time, or the fact that economic standards or the banking laws are violated by a bank or financial institution licensed by the Bank of Kyrgyzstan become known, the Bank of Kyrgyzstan shall have the right to take one or several of the following measures:

introduce higher economic standards;

A. increase the size of the required reserves;

to levy a fine in the amount of not more than 1% of the amount of the paid-up authorized capital for each case of such violation, in accordance with the order established by the Management Board of the Bank of Kyrgyzstan;

to levy a fine on individual officials in the amount of up to twenty minimum salaries established by the laws of the Kyrgyz Republic;

to make a binding requirement:

- to change all or some of the executive officers;

- to take measures of financial rehabilitation;

- to undertake re-capitalization or reorganization;

- to carry out an unplanned audit at the expense of the bank to be audited;

in order to protect the assets, to appoint caretaker management for a period of up to six months;

to suspend the license with a possible appointment of a caretaker manager or restriction on all or part of the licensed operations for a period of up to six months.

3. The Bank of Kyrgyzstan may revoke the preliminary permission to establish a bank in the following cases:

if the minimum authorized capital has not been paid within six months after the grant of the preliminary permission to open the bank;

if within six months after the preliminary decision to open the bank was received it becomes known that the information on the basis of which the permission was granted was false;

if the financial position of the founders has deteriorated or facts which may serve as the reason not to grant a license became known;

if the founders of the bank decided not to commence the activities of the bank.

4. The license of the bank or financial institution whose activities are licensed by the Bank of Kyrgyzstan may be revoked in the following cases:

when the events mentioned in paragraph 1 of this Article take place or if the Bank of Kyrgyzstan agrees that it is necessary to revoke the license;

A. if the obligatory instructions of the Bank of Kyrgyzstan systematically (two or more times during 12 consecutive calendar months) are not followed;

if the capital of the bank makes up 2% of the minimum authorized capital or will, in the opinion of the Bank of Kyrgyzstan, drop below this level in the near future, and the founders, in spite of a previous notice, fail to increase, and/or fail to take measures to increase, the capital above this level within the period established by Bank of Kyrgyzstan;

if the requirements and sanctions imposed by the Bank of Kyrgyzstan in accordance with paragraph 2 of this Article are not complied with;

A. if the regulations of the Bank of Kyrgyzstan are systematically (two or more times during 12 consecutive calendar months) violated;

if false information is systematically submitted or if within one year from the date of issue of the license submission of false information on the basis of which the license was granted is revealed;

in case of participation in operations prohibited by the laws of the Kyrgyz Republic or carrying out unlicensed activities;

in case of insolvency or if the bank is declared insolvent by the Bank of Kyrgyzstan in accordance with the laws of the Kyrgyz Republic;

if the bank postpones the commencement of its activities relating to deposit taking and lending for a period of more than one year after it was registered and granted a banking license;

if the bank does not comply with the requirements of the anti-monopoly laws; from a branch of a foreign bank, if the parent bank is being liquidated or its banking license is being revoked by the country where it was registered.

5. The activities of a bank or financial institution licensed by the Bank of Kyrgyzstan may be terminated on other grounds provided for in the legislation of the Kyrgyz Republic.

The bank or financial institution licensed by the Bank of Kyrgyzstan may terminate its activities and return the license after informing the Bank of Kyrgyzstan in writing of the fact and the proposed date, subject to approval by the Bank of Kyrgyzstan. The Bank of Kyrgyzstan may request to satisfy the interests of depositors and other creditors before it agrees to terminate the activities of the bank.

6. Should there be a risk for the bank to be declared insolvent, in order to protect the interests of depositors and creditors the Bank of Kyrgyzstan, besides the powers provided for in this Law as well as the Law of the Kyrgyz Republic "On Bank and Banking Activities in the Kyrgyz Republic", shall have the right to undertake any of the following measures:

to require the bank to take certain measures or not to take certain measures; to request the shareholders to provide additional capital for the bank or to assign their shares to parties wishing to acquire them at the value determined by the Bank of Kyrgyzstan;

to instruct the bank to sell part of all of their property in order to obtain liquid assets without starting the process of bankruptcy;

to assign to the bank its own liquid funds to be secured by collateral;  
to give the bank the status of a bank under conservation and appoint the conservator of the bank;  
to initiate the out-of-court process of bankruptcy;  
to meet the request of the bank, its shareholders or creditors of the bank to initiate the case on bankruptcy of the bank (in the out-of-court or in-court order).

## Chapter VIII Foreign economic ties and currency operations

### Article 33. Operations involving participation of the Kyrgyz Republic in international financial-credit organizations

1. In cases provided for in the laws and international treaties of the Kyrgyz Republic, the Bank of Kyrgyzstan shall represent the interests of the Kyrgyz Republic at international meetings, conferences and organizations relating to monetary policy, licensing of banks, banking supervision and other matters within its competence.

2. The Bank of Kyrgyzstan, in accordance with the powers given to it, may conduct in the name of the Kyrgyz Republic operations and transactions in relations with central banks of other countries, the International Monetary Fund and any other international financial organizations.

3. The Bank of Kyrgyzstan may participate in the activities of any organization within the Kyrgyz Republic and abroad which is engaged in the development of cooperation in the monetary, foreign exchange and banking spheres including cooperation between banks of other countries.

### Article 34. Currency regulation

The Bank of Kyrgyzstan shall be the state body for foreign exchange regulation and shall perform this function through: issuance of regulations regulating the conduct of operations in foreign currencies; grant and revocation of licenses to foreign exchange intermediaries including banks; supervision of their activities in accordance with the laws of the Kyrgyz Republic.

### Article 35. International reserves of the Bank of Kyrgyzstan

1. For the purpose of meeting its obligations the Bank of Kyrgyzstan shall retain a portion of its funds in foreign currencies and in other international assets, the value of which is less vulnerable to change on international markets. Here, the Bank of Kyrgyzstan on the terms specified by the Management Board of the Bank of Kyrgyzstan shall have an international reserve consisting of gold and:

foreign currencies including those placed in the accounts of central and first class foreign banks or other international financial institutions;

foreign exchange in the form of bank notes and coins;

A. any other internationally accepted reserve assets;

bills of exchange and promissory notes in foreign currencies accepted in international transactions and paid in foreign currencies;

A. state securities issued or guaranteed by foreign governmental institutes in their own currencies (or in the foreign currency) and paid in foreign currencies;

B. other bills of exchange and promissory notes issued by first class international financial institutes provided that they are classified as proper securities.

2. The Bank of Kyrgyzstan shall manage its own international reserves taking into account liquidity and safety of reserve assets.

3. In order for the Bank of Kyrgyzstan to take out precious metals on its balance sheet to place or sell international reserves abroad there shall be no need for additional license. The order and terms of taking out and selling of precious metals is determined by the Management Board of the Bank of Kyrgyzstan.

Article 36. Operations and transactions with foreign currency and gold and foreign exchange reserves shown on balance sheet of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall have the right:

- to conduct any foreign exchange operations either within the Kyrgyz Republic or outside its territory which conform to the laws and are accepted in the international banking practice;
- to purchase and sell treasury bills and other securities issued or guaranteed by foreign governments or international financial organizations as well as to conclude other transactions which do not contradict the laws of the Kyrgyz Republic and which are accepted in the international banking practice;
- to open and maintain accounts with foreign central banks and financial institutions of foreign countries;
- to open and maintain accounts for, act as a representative or correspondent of foreign central banks and other financial institutions outside the Kyrgyz Republic, and to represent the interests of the central banks and other financial institutions of foreign countries and international financial organizations within the Kyrgyz Republic;
- to conduct within the Kyrgyz Republic and outside its territory operations of purchase and sale of gold and other certified precious metals in bullion, coins and other forms.

#### Chapter IX Organization of management of the Bank of Kyrgyzstan

Article 37. Management of the Bank of Kyrgyzstan

1. The highest body of management of the Bank of Kyrgyzstan shall be the Management Board of the Bank of Kyrgyzstan, the collegial body drawing up guidelines for the activities of the Bank of Kyrgyzstan and conducting management of the Bank of Kyrgyzstan.

2. The Management Board of the Bank of Kyrgyzstan shall consist of 9 persons. The members of the Management Board shall work full time in the Bank of Kyrgyzstan.

3. The members of the Management Board shall include the Chairman of the Bank of Kyrgyzstan, three deputies and members of the Management Board of the Bank of Kyrgyzstan.

Article 38. Requirements for position

The Chairman of the Bank of Kyrgyzstan and members of the Management Board shall be persons with a recognized reputation and professional experience in economic, financial and monetary matters.

Article 39. Term of office

1. The Chairman of the Bank of Kyrgyzstan shall be appointed and dismissed by the President of the Kyrgyz Republic with the consent of the Assembly of Peoples' Representatives for a term of seven years.

Other members of the Management Board of the Bank of Kyrgyzstan shall be appointed by the President of the Kyrgyz Republic with the guidance of the Chairman of the Bank of Kyrgyzstan for a term of seven years.

2. The Chairman of the Bank of Kyrgyzstan and members of the Management Board of the Bank of Kyrgyzstan may be appointed for a subsequent term not more than three times in a row.

Should the Chairman of the Bank of Kyrgyzstan or members of the Management Board of the Bank of Kyrgyzstan send in their resignation a new member of the Management Board of the Bank of Kyrgyzstan may be appointed prior to the expiration of the term of the official whom he replaces. The replacing official may be reappointed in the future for a full term.

Article 40. Salaries of Chairman of the Bank of Kyrgyzstan and  
members of Management Board of the Bank of Kyrgyzstan

1. The salary of the Chairman of the Bank of Kyrgyzstan shall be set by the President of the Kyrgyz Republic with regard to salaries on the competing markets.

2. The Chairman of the Bank of Kyrgyzstan shall set the salaries of the members of the Management Board of the Bank of Kyrgyzstan.

Article 41. Resignation and release

1. The Chairman of the Bank of Kyrgyzstan and members of the Management Board of the Bank of Kyrgyzstan may be released only in the following cases:

at the end of their term of office;

A. at the request;

when they commit a criminally punishable offense which was proved by the verdict of the court;

when they become unable to perform their duties confirmed by a medical expert commission;

change of citizenship.

2. Members of the Management Board of the Bank of Kyrgyzstan may be released in case of a serious abuse of their official positions which effect the interests of the Bank of Kyrgyzstan or when they grossly violate this Law or banking laws of the Kyrgyz Republic under recommendation and decision of the majority of the members of Management Board of Kyrgyzstan.

Article 42. Meetings of the Management Board of the Bank  
of Kyrgyzstan

1. The Management Board of the Bank of Kyrgyzstan shall hold its meeting as necessary, but not less frequently than once a month. Extraordinary meetings of the Management Board of the Bank of Kyrgyzstan may be called at the initiative of the Chairman of the Bank of Kyrgyzstan or any three members of the Management Board of the Bank of Kyrgyzstan.

The members of the Management Board of the Bank of Kyrgyzstan shall be informed in due time of a meeting of the Management Board of the Bank of Kyrgyzstan.

2. A quorum at a meeting of the Management Board of the Bank of Kyrgyzstan shall consist of six members of the Management Board of the Bank of Kyrgyzstan, one of which must be the Chairman of the Bank of Kyrgyzstan or one of his deputies or by a person acting as the Chairman of the Bank of Kyrgyzstan. When the Management Board of the Bank of Kyrgyzstan takes decisions concerning the monetary policy the opinion of the members of the Management Board of the Bank of Kyrgyzstan who are the minority at their request shall be recorded in the minutes of the meeting.

3. The decisions of the Management Board of the Bank of Kyrgyzstan shall be taken by simple majority of votes if this decision is supported by not less than five members of the Management Board of the Bank of Kyrgyzstan.

4. The Chairman of the Bank of Kyrgyzstan shall supervise the work and preside over the meetings of the Management Board of the Bank of Kyrgyzstan and in his absence these duties shall be performed by his deputy.

Article 43. Powers of the Management Board of the Bank  
of Kyrgyzstan

1. The Management Board of the Bank of Kyrgyzstan shall review and approve:  
the monetary policy of the Bank of Kyrgyzstan;  
A. the annual report of the Bank of Kyrgyzstan;  
types, amount and order of forming and use of reserves and accounts of the Bank of Kyrgyzstan;  
the financial forecast of the Bank of Kyrgyzstan for the next year no later than 31 December of the previous year;  
the organizational structure of the Bank of Kyrgyzstan;  
types and amount of assets necessary for the Bank of Kyrgyzstan in its international reserves;  
regulations;  
the standing orders of the Bank of Kyrgyzstan and its Management Board;  
new forms of short-term crediting for a period of up to six months;  
the order of emission of new samples and denominations of monetary symbols and withdrawal of bank notes and coins from circulation;  
other matters relegated by this Law to the jurisdiction of the Bank of Kyrgyzstan.

2. The Management Board of the Bank of Kyrgyzstan shall take decisions on:  
the level of required reserves;  
A. the emission and withdrawal from circulation of bank notes and coins;  
the amount of economic standards for banks in accordance with this Law;  
the changes of interest rates of the Bank of Kyrgyzstan;  
the creation and liquidation of self-financing institutions of the Bank of Kyrgyzstan;  
the participation in international organizations;  
purchase and selling of immovable property to ensure the activities of the Bank of Kyrgyzstan, its institutions, organizations and employees;  
other matters relegated by this Law to the jurisdiction of the Management Board of the Bank of Kyrgyzstan.

3. The Management Board of the Bank of Kyrgyzstan shall have the right to review any other issue if it considers it important.

4. The decisions taken at the meetings of the Management Board of the Bank of Kyrgyzstan shall be performed by the deputies of the Chairman of the Bank of Kyrgyzstan, administrators of structural subdivisions, all employees of the Bank of Kyrgyzstan.

Article 44. Powers of the Chairman of the Bank of Kyrgyzstan

1. The Chairman of the Bank of Kyrgyzstan shall head the Management Board of the Bank of Kyrgyzstan, shall act without proxy in the name of the Bank of Kyrgyzstan, shall represent the interests of the Bank of Kyrgyzstan in the relations with state bodies, banks, credit, international and other institutions and organizations within the Kyrgyz Republic and abroad, shall make decisions on all matters relating to the activities of the Bank of Kyrgyzstan with the exception of those matters relegated to the jurisdiction of the Management Board of the Bank of Kyrgyzstan by the Law, shall sign its decrees, minutes of the meetings of the Management Board of the Bank of Kyrgyzstan as well as agreements concluded by the Bank of Kyrgyzstan, shall issue orders, shall give instructions subject to compliance by all employees of the Bank of Kyrgyzstan, its institutions and organizations.

2. The Chairman of the Bank of Kyrgyzstan shall determine the official salaries of the employees of the Bank of Kyrgyzstan in cooperation with his deputies and the administrators of the structural subdivisions.

3. In the absence of the Chairman of the Bank of Kyrgyzstan his duties shall be performed by one of his deputies appointed by the Chairman of the Bank of Kyrgyzstan or by the Management Board of the Bank of Kyrgyzstan.

Article 45. Restrictions for members of Management Board of  
the Bank of Kyrgyzstan

1. No member of the Management Board of the Bank of Kyrgyzstan shall have the right to be deputies of both Houses of Jogorku Kenesh of the Kyrgyz Republic and members of the Government of the Kyrgyz Republic as well as members (deputies) of the local administrations.

2. No member of the Management Board of the Bank of Kyrgyzstan shall hold other positions in public and political and religious organizations.

The members of the Management Board of the Bank of Kyrgyzstan shall have restrictions determined by Article 48 of this Law.

3. For the term of office the members of the Management Board of the Bank of Kyrgyzstan shall suspend their membership in party organizations.

Chapter X  
Employees of the Bank of Kyrgyzstan

Article 46. Organization of work of employees of the Bank  
of Kyrgyzstan

1. The term of employment, payment system, duties and rights, system of incentives and disciplinary penalties for the employees of the Bank of Kyrgyzstan shall be determined by the Management Board of the Bank of Kyrgyzstan in accordance with the laws of the republic.

2. The payment system for all the employees of the Bank of Kyrgyzstan shall be determined similarly to the payment system for economic entities of the Kyrgyz Republic.

3. The employees of the Bank of Kyrgyzstan shall meet the requirements for banking employees set by the Bank of Kyrgyzstan.

Article 47. Social safety net for employees of the Bank  
of Kyrgyzstan

The Bank of Kyrgyzstan shall insure the lives and health of the employees as well as take measures for social safety of the employees of the Bank of Kyrgyzstan including purchasing of immovable property, connected with the solving of the housing and social problems of its employees and creation of pension and other funds for the purpose of the creation of the social safety net of the employees of the Bank of Kyrgyzstan.

Some categories of employees according to the List approved by the Management Board of the Bank of Kyrgyzstan are subject to compulsory insurance.

Article 48. Restrictions for employees of the Bank of Kyrgyzstan

1. No employees of the Bank of Kyrgyzstan according to the list of positions approved by the Management Board of the Bank of Kyrgyzstan shall:

1) have the right to hold other positions in financial credit and other institutions regardless of whether they are paid for to perform these duties or not (with exception for teaching and research activities).

This prohibition shall not extend to the representation of the interests of the Bank of Kyrgyzstan in those organizations of which the Kyrgyz Republic is a



member, as well as holding positions in international financial credit and other organizations of which the Kyrgyz Republic is a participant;

2) shall not have the right to receive credits for personal needs in commercial banks of the republic;

3) shall not possess more than 1% of shares of commercial banks of the republic and in the aggregate with other family members - more than 5% of shares of one bank.

Should an employee when applying for a job in the Bank of Kyrgyzstan have shares of one of commercial banks in the sum exceeding 1% he shall have to relegate his ownership rights on these shares for the management by members of his family, should the employee have in the aggregate with his family members more than 5% of shares he shall be obliged to relegate his ownership rights on these shares to the trust management to the third person who has a license to conduct trust operations.

#### Article 49. Confidentiality of information

No employees of the Bank of Kyrgyzstan shall have the right to disclose either confidential information on the activities of the Bank of Kyrgyzstan or any other information which was made known to them in the course of discharging their duties with exception for the cases envisaged by the laws.

### Chapter XI Final provisions

#### Article 50. Property of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall own, use and dispose of the monetary resources, buildings, structures, equipment and other material valuables which belong to it and may for the purpose of realizing its objectives found organizations which have the rights of a juridical person.

2. The Bank of Kyrgyzstan shall have the right in the cause of clearing off debts before it to acquire any rights of the debtor in any form provided that these rights shall be realized by the Bank of Kyrgyzstan as soon as possible by no later than two years.

3. The Bank of Kyrgyzstan shall not have the right to engage in activities which extend outside the scope of its objectives, to be the holder of shares or to participate in any way in the activities of banks or other commercial organization, to purchase, lease or by any other means acquire the property right on any immovable property with the exception of those instances when acquisition or lease is essential to the safeguarding of the activities of the Bank of Kyrgyzstan and its employees.

4. The Government shall guarantee the protection of the legal property rights of the Bank of Kyrgyzstan and shall not have the right to confiscate or reduce its capital as well as to burden the property of the Bank of Kyrgyzstan with obligations.

5. The Bank of Kyrgyzstan shall take measures to ensure safety of its activities as well as safeguarding its property and assets (including printing, storage and distribution of monetary symbols) and protection of the employees.

For these purposes the Bank of Kyrgyzstan shall have the right to create special forces as well as to acquire and use weapons and special protection means.

#### Article 51. Preparation of balance of payment of the Kyrgyz Republic

1. The Bank of Kyrgyzstan in cooperation with the state body for statistics shall prepare the balance of payment of the Kyrgyz Republic.

2. Ministries, state committees, administrative departments, enterprises, institutions and organizations regardless of title as well as non-residents who are on the territory of the Kyrgyz Republic shall submit to the Bank of Kyrgyzstan the information with indices necessary to prepare the balance of payment in the form and within the time frame determined by the Bank of Kyrgyzstan in coordination with the National Committee for Statistics.

3. For failing to submit or late submission of the information mentioned in Paragraph 2 of this Article there shall be liability in the manner envisaged by the laws of the Kyrgyz Republic.

#### Article 52. On Accounting and book-keeping

The Bank of Kyrgyzstan shall determine the forms and standards for accounting and book-keeping, the list of accounts of commercial banks, the Bank of Kyrgyzstan and financial institutions licensed by the Bank of Kyrgyzstan.

#### Article 53. Tax exemption

1. The Bank of Kyrgyzstan shall not be a tax payer pursuant to the legislation of the Kyrgyz Republic.

2. The Bank of Kyrgyzstan including its oblast branches, its property and revenues as well as transactions and operations shall be tax and customs duties exempt including state duties.

This exemption shall not extend to juridical persons created by the Bank of Kyrgyzstan.

#### Article 54. Internal audit of the Bank of Kyrgyzstan

The internal audit of the Bank of Kyrgyzstan shall be done by the service of the internal audit which shall directly report to the Chairman of the Bank of Kyrgyzstan.

#### Article 55. International agreements

International agreements may lay down other than established by this Law relations between the Bank of Kyrgyzstan and the Government of the Kyrgyz Republic on servicing international agreements, ratified pursuant to the procedure established by the legislation.

#### Article 56. Enactment of this Law

1. Enact this Law from the moment of its publication.

2. Article 24 of this Law shall become res judicata from January 1, 1998. For the transition period connected with the development of the national economy, the National Bank of the Kyrgyz Republic may provide credits to the Government of the Kyrgyz Republic within the established framework established by the Law of this republic on the republican budget till January 1, 1998.

Item 3 of Article 50 of this Law shall become effective from January 1, 2000.

3. The following shall be deemed invalid:

- the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" of December 12, 1992, # 1055-XII;

- the Resolution of the Supreme Soviet of the Kyrgyz Republic "On the Enactment Procedure of the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" of December 12, 1992, # 1056-XII.

President of the Kyrgyz Republic A.Akaev

Adopted by the Legislative Assembly  
of the Parliament of the Kyrgyz Republic June 16, 1997

Approved by the Assembly of People's  
Representatives of the Parliament of the  
Kyrgyz Republic July 2, 1997