LAW OF THE KYRGYZ REPUBLIC

"On Banks and Banking in the Kyrgyz Republic"

(As amended by the Laws of the Kyrgyz Republic of
March 26, 2003 #63, December 18, 2003 #235,
December 15, 2004 #192, March 10, 2005 #46,
December 1, 2005 #158, January 27, 2006 #22,
May 30, 2007 #75, May 16, 2008 #88,
October 17, 2008 #217, November 20, 2008 #243,
March 28 2009 #93, April 27, 2009 #136,
May 26, 2009#167, May 26, 2009#172)

Chapter I. General Provisions
Chapter II. Formation of Banks in the Kyrgyz Republic
Chapter III. Bank management
Chapter IV. Implementation of banking
Chapter V. Bank Supervision and Standards
Chapter V-I. Consolidated Supervision of Groups of Banks
Chapter VI. Relationships of a Bank with clients
Chapter VII. Accounting and reporting in banks

CHAPTER I.
GENERAL PROVISIONS

Article 1. Concept of a Bank

1. In the Kyrgyz Republic, a bank is a financial institution established for attracting deposits from individuals and legal entities and other funds, and allocation on its own behalf, based on terms of collectability, repayment, maturity and implementation of settlements in accordance with the clients’ instructions.
2. A bank is a legal entity, established as a joint stock company and implementing its activity in accordance with the legislation of the Kyrgyz Republic on the basis of a license, issued by the National (Central) Bank of the Kyrgyz Republic (hereinafter referred to as the Bank of Kyrgyzstan).

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

4. Requirements to a bank, prescribed by this Law, can be made to other financial institutions licensed by the Bank of Kyrgyzstan in the manner prescribed by the legislation of the Kyrgyz Republic and the normative acts of the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, May 16, 2008 #88, November 20, 2008 #243)

Article 2. Concept of a Deposit

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

Entities without an appropriate license of the National (Central) Bank of the Kyrgyz Republic shall have no right to accept deposits or use the term “deposit” in their names.

2. An entity which is not a bank may attract non-deposit funds only in cases when these funds are:
   1) received from banks and other entities which issue loans;
   2) received by one individual from another individual on the terms of a loan;
   3) received from foreign or international financial institutions;
   4) received by insurance companies or social (pension) funds, in compliance with the legislation of the Kyrgyz Republic;
   5) received through issue of securities in compliance with the legislation regulating operations with securities;
   6) received by a specialized company with a license, in compliance with the legislation of the Kyrgyz Republic, in order to implement the activity aimed at investing into securities on behalf of a client;
   7) paid as an advance payment or partial payment by sale or lease contract, or otherwise presenting the property or services, and should be returned only in cases when the property and services are not actually sold, leased or rendered;
   8) contributed as a guarantee or pledge in compliance with the contract, or for providing delivery or return of property;
   9) contributed by a joint stock company to another one, provided they are subsidiaries of the same head (parent) company or one of them is a subsidiary company to the other;
   10) received by one person from another person on the basis of a joint activity contract.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 2-1. Major Concepts

The following concepts are used in this Law:

Affiliates are:
- significant participants of a legal entity, including banks;
- legal entities where other legal entities, including banks, are significant participants;
- legal entities, including banks, where other legal entities are significant participants;

A banking group comprises a bank and its subsidiaries and/or dependent companies and/or bank holding companies and its subsidiaries and/or dependent companies. These entities are participants of the banking group.

A bank holding company is a parent company which a subsidiary or one of the subsidiaries is a bank.
A subsidiary is a legal entity controlled by another legal entity (parent company). A subsidiary of another subsidiary is also considered a subsidiary of the (first) parent company.

A bank subsidiary is a bank controlled by another bank or another legal entity (parent company). A bank subsidiary of the bank subsidiary is also considered the bank subsidiary of the parent company.

Bank officers are the Chairman and other members of the Board of Directors of the bank, the Chief Executive Officer of the Board, chief staff members on finance and credits of the bank. "Officers of the bank", who define the policy of a bank or have the authority to participate or actually participate in the major operations of the bank formulating the policy of the bank, irrespective of whether they work for remuneration or for free, are also considered "officers of the bank". This definition also covers officers of the parent company of the bank.

An associated company is a legal entity where a person solely or jointly with another person directly or indirectly owns or manages over 20% of voting stock or shares in the capital of any legal entity.

A significant participation – solely or jointly with other persons:
- direct or indirect ownership or management of 10% or more of voting shares (of any type) of a joint-stock company, 10% or more of the charter capital of a legal entity which is not a joint-stock company;
- or irrespective of participation in the charter capital of a legal entity, possibility to have a significant influence on the management and/or policy of the legal entity based on the agreement or another arrangement.

A significant participant is a person exercising significant participation in a legal entity in compliance with the present Law.

Insiders (internal persons) of a bank are members of the Board, members of the Board of Directors, members of the Shariah Council, other officers, significant participants and any other individuals, related to the mentioned persons by common interest.

A company is any legal entity.

Control – solely or jointly with other persons:
- direct or indirect ownership or management of 50% or more of a joint-stock company's voting shares or the charter capital of a legal entity which is not a joint-stock company or;
- possibility to select, at the very least, half of the Board of Directors (supervisory body) of a legal entity or;
- irrespective of participation in the capital of a legal entity, possibility to have a determining influence on the management and/or policy of the legal entity based on the agreement or another arrangement.

A controller is a person who exercises control over a legal entity.

A parent company is a legal entity, which controls another legal entity.

Common interests between two and/or more individuals and legal entities are recognized as existing when any of the following conditions are present:
- a legal entity or an individual controls another person;
- these persons are affiliated legal entities or insiders;
- one of these persons is a dependent company of another person.

For the purpose of defining a significant participant, a dependent company and control:
- shares owned by companies, which are dependent companies of a person or controlled by a person, are considered as indirectly owned by that person and are combined with shares directly owned by that person, in determining the total number of shares owned by the person;
- shares owned by a person or its close relatives (heirs of the 1st and 2nd succession according to the civil legislation) are considered as shares directly owned by this person.

The following are persons jointly owning bank shares:
- close relatives;
- persons jointly owning shares due to an agreement or another arrangement;
- significant participants individually or jointly;
- if one of them granted a loan (credit or equivalent means) to another person to purchase shares;
- if one of them is an officer or a representative of another person.
In this Law, trust management means that the asset manager of the person does not have common interests with that person and:
- cannot be controlled by that person or be dependent on it when managing assets of that person;
- has not been an employee of the person or its business partner;
- is not a close relative of the person;
- the trust management agreement shall indicate that when managing assets or property of that person, the manager manages and controls the property and shall not consult and notify that person.

"Islamic bank" is a bank operating in accordance with the Islamic principles of the banking and financing at availability of the required license of the Bank of Kyrgyzstan.

A bank, having "Islamic window" represents a bank, rendering the services in accordance with the Islamic principles of banking and financing within the frames of the corresponding division ("Islamic window") if required license issued by the Bank of Kyrgyzstan is available.

Islamic principles of banking and financing are the regulations of the bank operations implementation in accordance with the standards of Shariah in the order, established by the normative acts of the Bank of Kyrgyzstan.

"Islamic window" is a corresponding division of a bank, implementing operations in accordance with the Islamic principles of the banking and financing.

Standards of Shariah are the whole set of regulations for performance of economic or any other activity, developed and approved by international organizations, establishing the standards of Islamic banking management (Accounting and audit organization for Islamic financial institutions and the Council of Islamic financial services).

The Shariah Council is a body of a bank, performing operations in accordance with the Islamic principles of the banking and financing, responsible for compliance of transactions (contracts) of the bank in accordance with the standards of Shariah.

(As amended by the Laws of the Kyrgyz Republic of December 1, 2005 #158, March 28, 2009 #93)

Article 3. Banking System of the Kyrgyz Republic

1. Banking system of the Kyrgyz Republic shall comprise the National (Central) Bank of the Kyrgyz Republic and commercial banks.

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

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

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

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

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

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

A state bank shall be established based on separate normative legal acts in the form of the postal, investment, savings and other similar bank. A state bank shall carry out its activity in compliance with the banking legislation of the republic.

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

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

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 4. Specialized Financial Institutions
Specialized financial institutions: credit unions, finance corporations (companies), loan banks, reciprocal crediting companies and other similar specialized credit institutions, shall act based on the license of the Bank of Kyrgyzstan, and shall have the capacity to implement certain banking operations.

Specialized financial institutions have the right to perform the limited list of transactions (agreements), conforming to the Islamic principles of the banking and financing in the order, established by the Bank of Kyrgyzstan.

The activity of such specialized financial organizations are regulated by the laws of the Kyrgyz Republic and by this Law exclusive of peculiarities, envisaged by the normative acts of the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic dated March 26, 2003 #63, March 28, 2009 #93)

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

A bank shall not be liable on the obligations of the Kyrgyz Republic, as well as the Kyrgyz Republic shall not be liable on the obligations of the bank, unless the state undertakes obligations of the bank itself.

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

Article 6. Independence of banks in the Kyrgyz Republic

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

2. Any interference by the state authorities and government agencies and their officials into issues related to banking activity shall be prohibited.

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

The Bank of Kyrgyzstan within the limits of authority provided by this Law and the Law of the Kyrgyz Republic "On the National (Central) Bank of the Kyrgyz Republic" shall implement bank supervision as well as administrative and other regulatory functions with respect to banks and other financial institutions.

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

4. Officials of the state authorities and government agencies:

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

2) may not hold and/ or control over 10% of voting shares in a bank or bank holding.

Persons who hold 10% or more of shares of a bank or a bank holding company, when appointed as government officials, they must transfer their shares into trust management for the period of government service.

5. (Excluded in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63 and December 1, 2005 #158)

Article 7. Unions and Associations of banks

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

2. Banks shall have the right to organize bank holdings, whose activity is carried out on the basis of this Law.

Bank holding companies (management companies) created exclusively for the purpose of managing companies comprising a bank group must be established as a joint-stock company.

2-1. Unions, associations and other bank amalgamations must notify the Bank of Kyrgyzstan about their creation within 5 working days from the moment of state registration.

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

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

See:

Resolution of the Board of the National Bank of the Kyrgyz Republic of March 2, 2005 #4/1 “On approval of the Policy and Main Principles of Anti-Monopoly Regulation, Competition Development and Consumer Rights Protection in the Banking Services Market of the Kyrgyz Republic provided by Commercial Banks and Other Financial Institutions Licensed and Regulated by the NBKR”.

5. Banks shall not enter into transactions or carry out activities, which ensure them or jointly with other persons a dominating position in the capital market, monetary and currency markets, determined in compliance with the anti-monopoly legislation, and shall not participate in activities or various transactions, which could secure wrongful advantage for them or third persons.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63 and December 1, 2005 #158)

CHAPTER II.

FORMATION OF BANKS IN THE KYRGYZ REPUBLIC

Also, see:

Regulation of the Board of the National Bank of the Kyrgyz Republic of March 2, 2006 #5/7 “On approval of the Regulation on Licensing Activities of Banks”

Article 8. Bank, its Founders and Shareholders

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

Legal entities registered in offshore zones or which have participants - affiliates registered in offshore zones or individuals residing in offshore zones or shareholders (participants) of legal entities registered in offshore zones, the list of which is established by the Bank of Kyrgyzstan, shall not be shareholders (participants) of state resident banks.

See:

Resolution of the Board of the National Bank of the Kyrgyz Republic of April 16, 2003 #13/2 “On establishment of requirements for identification of subjects and list of offshore zones”.


Transactions related to purchase of bank shares by legal entities or individuals registered or residing in offshore zones, identified in accordance with the procedure mentioned in item two of this paragraph, are considered null and void.

Founders (participants, shareholders) of a bank as well as persons affiliated with the bank shall submit to the Bank of Kyrgyzstan, upon its request, foundation documents, financial and other statements identifying its founders (shareholders, participants) as well as information on their financial status and current transactions.

2. A bank may be formed and act only in the form of a joint stock company (open or closed).

3. Legal entities not involved in banking and/or financial activities, including activities related to banking and/or financial activities, shall not carry out the following solely or jointly with other persons:
   - direct or indirect ownership or management of over 20% of the bank voting shares (of any type);
   - or irrespective of participation in the charter capital of a bank, have a significant influence on management and/or policy of the bank based on agreement or another arrangement.

Types and criteria of financial activities and activities related to banking and/or financial activities are determined by the normative legal acts of the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 9. Foundation Documents of a Bank

1. A bank shall be formed on the basis of the foundation agreement and shall act in compliance with its charter.

2. The charter of a bank must contain, besides the data required by the effective legislation, the following:
   1) full and abbreviated corporate name of a bank;
   2) data on organization and legal form and type of property in the bank;
   3) provisions on management bodies of a bank;
   4) procedure of making decisions by management bodies of a bank, including the list of issues requiring qualified majority of votes of shareholders;
   5) provision on compliance with the requirements of the legislation of the Kyrgyz Republic with respect to an affiliate of a foreign bank established abroad;
   6) other provisions related to peculiarities of the activity of a bank which do not contradict the legislation of the Kyrgyz Republic.

3. A bank must notify the Bank of Kyrgyzstan on all amendments and modifications made in the foundation documents of the bank within one month after adoption of the corresponding decision.

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

4. Amendments and modifications associated with the name of a bank, management bodies, changes in the structure of the bank participants which affect the management and monitoring of its activity, reorganization of the bank, change of address of the bank should be previously coordinated with the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall within one month consider the approval of entry into the foundation documents of amendments and modifications on the issues.

Amendments and modifications into the foundation documents may be disapproved by the Bank of Kyrgyzstan in the following instances:

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

2) if the bank refuses to comply with the prescriptions of the Bank of Kyrgyzstan on elimination of comments according to proposed amendments and modifications to the foundation documents.

3) in other cases prescribed by the legislation of the Kyrgyz Republic.

5. If any amendments are made in the foundation documents of a bank, associated with the increase in the capital of the bank, the bank
should notify the Bank of Kyrgyzstan on the results of final registration of the issuance of securities of the bank, within one month from the moment of recognizing the issuance valid and registration of the report on the results of the issue of securities.

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

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 10. Name of a Bank

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

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

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

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

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

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

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

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)

Article 11. Capital of a Bank

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

"Capital of a bank" means net value or capital base of the bank constituting a difference between its assets and liabilities according to the balance sheet accounts, which reflect established accounting principles.

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

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

3. The charter capital of a bank shall be formed only in national currency of the Kyrgyz Republic, only at the expense of founders (shareholders) and must be paid, at least, in the amount established by the Bank of Kyrgyzstan. Use of fixed assets and non-tangible assets for formation of the equity capital shall not be allowed.

Requirements to the charter capital of banks are set by the Bank of Kyrgyzstan. A bank shall not purchase and take in pledge its own shares.

4. Prior to receiving the license to implement bank operations, a bank shall deposit the minimum equity capital to the bank account to be opened in the Bank of Kyrgyzstan.

5. The Bank of Kyrgyzstan establishes economic standards to determine the standards of the capital adequacy of a bank, minimum amount of the charter capital, minimum capital dimension (capital base) as well as the capital structure of the bank.
See:
Resolution of the Board of the National Bank of the Kyrgyz Republic of February 13, 2008 #6/3 "On minimum dimension of the charter capital for newly established banks".

Resolution of the Board of the National Bank of the Kyrgyz Republic of March 11, 2009 #12/6 "On minimum dimension of the charter capital (capital base) of banks".

6. The Bank of Kyrgyzstan shall have the right to issue the normative acts on creation of or increase in capital and demand that banks maintain the minimum capital or capital adequacy ratio depending on the risk peculiar to the activity of a bank.

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

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, May 30, 2007 #75, May 16, 2008 #88)

Article 12. Reserves Created by a Bank and Financial Institution

1. For timely recovery of losses related to implementation of banking activity, a bank and other financial institutions licensed by the Bank of Kyrgyzstan must create necessary reserves.

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

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

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 13. Licensing of Banking Operations

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

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

3. The Bank of Kyrgyzstan is the only institution in the territory of the Kyrgyz Republic, authorized to issue licenses for performing banking operations, including operations conforming to the Islamic principles of the banking and financing. The license for banking operations is given in the order, established by the Bank of Kyrgyzstan. The information about banks, having the license of the Bank of Kyrgyzstan, is provided in the mass media once a year.

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

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

5-1. License shall be issued to the applicant after they receive a preliminary permission and the Bank of Kyrgyzstan makes sure the following are implemented:

1) state registration certificate is submitted;
2) required minimum charter capital is fully paid;
3) bank premises and equipment meet requirements prescribed by the Bank of Kyrgyzstan to ensure security of deposits;
4) founders select an independent external auditor for a bank for the forthcoming financial year;

5) bank selects its personnel in compliance with requirements of the Bank of Kyrgyzstan and tests information systems for carrying out banking activity;

6) bank meets other requirements prescribed by the current legislation.

6. Banking licenses issued by the Bank of Kyrgyzstan shall have unlimited term of effect and shall be effective on all the territory of the Kyrgyz Republic.

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

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

9. Banking operations performed without the license of the Bank of Kyrgyzstan shall be considered void. Unlicensed banking shall entail the liability in accordance with the legislation of the Kyrgyz Republic.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158, March 28, 2009 #93)

Article 14. Documents required to receive the license

1. To receive the license for implementation of banking operations the applicant shall submit the following documents:

1) application for the license in the form established by the legislation of the Kyrgyz Republic;

2) foundation documents of the newly formed bank (foundation agreement, charter, minutes on approval of the charter and appointment of members of the Board of Directors of a bank);

3) business plan with economic feasibility of establishing the bank stating the bank goals and ways of their achievement, drafted according to the procedures of the Bank of Kyrgyzstan;

4) information prescribed by the Bank of Kyrgyzstan on founders (shareholders), including:
   - estimated size of shareholding of each shareholder in the capital of a bank;
   - information about their activities and professional experience;
   - audit report or other information on financial status;
   - information on sources of funds to be used for investing in the charter capital;
   - information on any persons with whom the founders or shareholders have common interests.

5) list of members of the Board of Directors of a bank and the Audit Committee with indication of the chairman and the deputy, with the information on the name and address of each member of the Board of Directors and the Audit Committee, and the data which confirm their compliance with the requirements established by the Bank of Kyrgyzstan;

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

7) for persons appointed by members of the Board and/or heads of large departments of a bank, including the chief of internal audit department, chief of the credit department, assets and liabilities manager - data specified in subparagraph 6 of this article and data on the previous work experience;

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

9) (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158);

10) If a bank shall be part of a bank group, additional information shall be submitted:
   - information on the bank group structure;
   - information on the bank group participants, including data on their financial status and activities;
   - bank group policy on risk management and internal control;
- data on controlling participants of the bank group;
- data on persons who have a real control of the bank group;
11) documents confirming the license fee payment in the amount prescribed by the legislation of the Kyrgyz Republic;
12) copy of the state registration certificate.

The Bank of Kyrgyzstan shall determine eligibility criteria indicated in subparagraphs 4-7 of this article. Documents confirming professional qualifications of the newly appointed officers shall be submitted to the Bank of Kyrgyzstan, in case of changes in the management personnel of the Bank.

1-1. In addition to information indicated in subparagraph 4 of paragraph 1 of the present article, the founders – legal entities shall submit the following:
- information on all of their shareholders and controllers who have a real control;
- information indicated in subparagraph 4 of paragraph 1 of the present article with respect to all of their shareholders and controllers;
- information confirming compliance of all members of the Board of Directors (supervisory body) and the Board (executive body) with the minimum criteria prescribed by the Bank of Kyrgyzstan;
- charter or another document confirming the status of a legal entity;
- decision of the authorized management body of a founder on participation in the bank establishment.

Foreign founders – legal entities subject to supervision in the country of origin (registration) shall additionally submit a written consent of a relevant foreign supervisory body to investing in the newly established bank, if it is required by the legislation of the country of origin (registration) or a written confirmation that such a consent is not required by the laws of the country of a founder.

2. In addition to the documents indicated in paragraph 1 of this article, the Bank of Kyrgyzstan may demand from the foreign company or bank, wishing to acquire the license (permission) to conduct banking operations through establishing an affiliate or a subsidiary of a foreign bank, to submit the following documents legalized in compliance with the established procedure:
- written consent by the appropriate bank supervisory authority of the foreign bank or company for opening an affiliate or subsidiary of a foreign bank in the territory of the Kyrgyz Republic or confirmation that such a permission is not required by the legislation of that country;
- written confirmation by an appropriate bank supervisory authority of the corresponding state that the parent bank has an appropriate banking license issued by the authorized body and is subject to supervision on the consolidated basis;
- charter or another document which confirms the status of the legal entity and its financial statements for three previous years confirmed and certified by an independent external auditor;
- decision by the appropriate body of a foreign parent bank (participant) on opening a bank subsidiary or an affiliate in the territory of the Kyrgyz Republic.

3. The Bank of Kyrgyzstan may add the list of documents and requirements necessary for obtaining the banking license in compliance with the international banking practice.

4. Should the request and documents required for issuance of banking license be revoked, the documents submitted by the founders of a bank shall not be returned.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 15. Requirements to the Business Plan of a Bank to be established

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

1) economic feasibility of establishing a bank and financial perspectives of activity of the bank to be established (budget and projected balance report, calculated capital adequacy, revenue and expenses of the bank);

2) structure of the management and supervisory system of a candidate bank;

3) credit policy implemented by a bank (mechanisms of risk assessment when issuing credits, permanent monitoring mechanism of
issued credits (or other types of risks), and other issues related to the credit policy of the bank;
4) supposed mechanism of protection against operations connected with the terrorism financing and money laundering;
5) plan of bank clientele formation;
6) specialist recruitment plan and implementation of personnel policy in the bank;
7) plan of assets and liabilities management;
8) other aspects related to the proper organization and due functioning of the bank, characteristic for the international business practice and those determined by the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of December 1, 2005 #158, April 27, 2009 #136)

Article 16. Term of Consideration of Application for License

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

(As amended by the Law of the Kyrgyz Republic of December 1, 2005, #158)

Article 17. Grounds for Denial of a License

1. Upon considering the documents prescribed by article 14 of the present Law, the Bank of Kyrgyzstan may grant a preliminary permission for issue of license to a bank. The Bank of Kyrgyzstan may deny issuance of preliminary permission for any of the following reasons:
   1) non-compliance of the foundation or other documents submitted for getting license to the requirements established hereof and provided by the legislation of the Kyrgyz Republic;
   2) failure to submit the documents in the volume established hereof. In the event these obstacles are removed, the application shall be considered on general grounds;
   3) (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)
   4) failure of the persons indicated in subparagraphs 4-7, paragraph 1, article 14 of the present Law, to meet requirements prescribed by the Bank of Kyrgyzstan;
   5) non-compliance of the amount, structure, source of formation of the bank minimum charter capital with the requirements of article 11 of this Law;
   6) failure to pay up the minimum charter capital within the time established by the Bank of Kyrgyzstan;
   7) present of false data in the documents submitted for receipt of the license;
   8) failure to pay the license fee;
   9) court decision with respect to the applicant forbidding it to conduct such type of activity;
   10) failure to submit complete information on the bank group of which the bank is a part, to the Bank of Kyrgyzstan;
   11) failure to submit complete information on the origin and sources of funds to the Bank of Kyrgyzstan, specifically:
       - origin and sources of funds cannot be identified from the presented information;
       - according to the presented information, the source of funds does not meet the requirements and criteria established by the Bank of Kyrgyzstan;
   12) shareholders do not meet the requirements of article 44 of the present Law.
2. The Bank of Kyrgyzstan may deny license if the conditions mentioned in paragraphs 5-1, article 13 of the present Law are not met within 6 months of issue of the preliminary permission.

3. The decision to issue or deny a license shall be made within one month of the Bank of Kyrgyzstan checking if all conditions of paragraphs 5-1, article 13 of the present Law have been met.

4. The Bank of Kyrgyzstan has the right to deny license if facts of any changes in financial and legal status or other circumstances, based on which the preliminary permission is issued, become known. The applicant shall notify the Bank of Kyrgyzstan of any significant changes in financial and legal status or other circumstances of a bank, based on which the preliminary permission is issued, within no later than 10 working days.

5. The Bank of Kyrgyzstan shall notify the applicant in writing of grounds of the preliminary permission or license denial.

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)

Article 18. Requirements to Bank Subsidiaries and Dependent Companies

1. A bank shall establish or purchase a subsidiary based on a written permission of the Bank of Kyrgyzstan on the following conditions:
   1) ownership and management structure and financial possibilities of a subsidiary shall meet the criteria set by the Bank of Kyrgyzstan;
   2) risk management procedures in a bank related to the subsidiary activities and procedures for supporting corporate identity of banks and its subsidiary are developed;
   3) establishment or purchase of a subsidiary shall not create significant risks for the bank financial stability;
   4) other requirements set by the Bank of Kyrgyzstan are met.

Information to be submitted by the bank intending to establish a subsidiary or purchase existing companies and the procedure for considering applications are prescribed by the normative acts of the Bank of Kyrgyzstan.

Subsidiaries of a bank may carry out banking and/or financial activities as well as activities related to banking and financial activities on the basis and following the procedure prescribed by the present Law.

2. The Bank of Kyrgyzstan may revoke its consent to establishment or purchase of a subsidiary, if facts, based on which permission to establish a bank may be denied, become known or if a subsidiary is involved in an activity unauthorized by the present Law and the legislation of the Kyrgyz Republic. In the event the Bank of Kyrgyzstan revokes its permission, a bank shall sell its shares of a subsidiary to persons not related to the bank within the period of time set by the Bank of Kyrgyzstan.

3. The Bank may purchase or establish a dependent company by approval of the Bank of Kyrgyzstan. Information to be submitted for obtaining the approval is determined by the normative legal acts of the Bank of Kyrgyzstan and shall include, at the very least:
   - name of the dependent company;
   - type of activity of the company;
   - structure of company ownership (including significant participants and controllers) and the amount of bank investment.

Dependent companies of banks may carry out banking and/or financial activities, including activities related to banking and/or financial activities, determined by the normative legal acts of the Bank of Kyrgyzstan.

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)

Article 19. Establishing Affiliates of a Bank

1. Affiliate of a bank is a separate sub-unit, which is not a legal entity and implements all banking operations or part of them on behalf of the bank, based on the provision established by the bank and acting within the limits of authority provided by the bank.

An affiliate and a bank shall have the common charter capital and statement of balance and the same name.

Managers of affiliates shall be appointed by the head bank and shall act on the basis of the power of attorney issued by the head bank in
2. A bank may open its affiliates in the territory of the Kyrgyz Republic upon notification of the Bank of Kyrgyzstan according to the procedure for bank opening prescribed by the Bank of Kyrgyzstan.

Affiliates of a bank abroad shall be opened by permission of the Bank of Kyrgyzstan.

3. Should the bank fail to advice of establishing an affiliate or fail to advise in due term provided in paragraph 2 of this article, the Bank of Kyrgyzstan is authorized to apply a sanction provided by the banking law.

4. Only the foreign banks with stable financial position and perfect business reputation shall be allowed to establish affiliates in the territory of the Kyrgyz Republic.

A non-resident bank shall provide an affiliate in the territory of the Kyrgyz Republic with the capital used as a basis for calculation of economic standards established by the Bank of Kyrgyzstan and shall place capital in the financial institution approved by the Bank of Kyrgyzstan a deposit free from debts in the form and amount in compliance with the rules established by the Bank of Kyrgyzstan.

See:
Resolution of the Board of the National Bank of the Kyrgyz Republic of April 27, 2005 #12/8 “On approval of the Procedure for providing a non-resident bank's affiliate with the capital”

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

1) application for establishing an affiliate in the set form;
2) resolution of the appropriate executive body of the applicant bank on establishing an affiliate in the territory of the Kyrgyz Republic;
3) foundation documents of the applicant bank;
4) annual report of the applicant bank (including the consolidated balance sheet and report on profits and losses) for the last financial year confirmed by the audit firm;
5) general information on the bank, its structure and owners;
6) feasibility study for establishing the affiliate;
7) regulation on the affiliate, including the list of banking operations to be implemented by the affiliate;
8) written confirmation by banking supervisors of the corresponding state, that the applicant bank has a valid license to implement banking activities and has the right to establish the affiliate;
9) information on officers of the affiliate prepared in accordance with the requirements of the Bank of Kyrgyzstan;
10) notarized card with the samples of signatures of the applicant bank’s managers.

The Bank of Kyrgyzstan may request additional information on the applicant bank.

A non-resident bank possessing the permission to establish an affiliate in the territory of the Kyrgyz Republic shall obtain permission (license) of the Bank of Kyrgyzstan to establish other affiliates in the Kyrgyz Republic if the bank wants to open them. In this permission (license) the Bank of Kyrgyzstan determines the list of operations which may be implemented by the affiliate of a non-resident bank in the territory of the Kyrgyz Republic.

6. Name, location and types of activity of the affiliates may be altered only upon prior approval of the Bank of Kyrgyzstan.

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

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

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)
1. A representative office is a sub-unit of a bank, which is not a legal entity and protects and represents interests of this bank and implements transactions and other lawful actions on its behalf, except acceptance of deposits, issue of credits, implementation of settlement operations and exercise of other operations which require banking license in compliance with the legislation of the Kyrgyz Republic.

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

2. Representative office of a bank in and beyond the territory of the republic shall be established with prior notification of the Bank of Kyrgyzstan and submission of the following documents:
   1) resolution of the appropriate bank body on establishing a representative office;
   2) regulation on the representative office.

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

A non-resident bank shall submit the following documents to obtain permission to establish the representative office:
   1) application for establishing a representative office in compliance with the set form;
   2) foundation documents of a non-resident bank;
   3) regulation on the representative office which contains the list of activities to be implemented by the representative office;
   4) written confirmation from the banking supervision agency of the corresponding state that the applicant bank has the valid license to implement banking activities;
   5) notarized card with sample of signatures of the applicant bank managers;
   6) resolution of the appropriate body of the applicant bank on establishing a representative office in the territory of the Kyrgyz Republic;
   7) annual report of the applicant bank (including consolidated balance report and report on profits and losses) for the last financial year confirmed by the audit firm;
   8) information on the manager of the representative office.

4. Name, location and types of activity of the representative office may be altered only upon prior approval of the Bank of Kyrgyzstan.

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

   The Bank of Kyrgyzstan shall issue regulations on the procedure for opening and the activity of representative offices of foreign banks.

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

CHAPTER III.
BANK MANAGEMENT

Article 21. General Meeting of Shareholders of a Bank

1. The issues referred to the exclusive competence of the general meeting of shareholders cannot be considered by the Board of Directors or the Board of a bank.

2. The Board of Directors of a bank that determines the place, date and time of the meeting shall convene the annual meeting; the meeting shall be held no later than 3 months after the end of the financial year of the bank and not before the audit report is ready.

The exclusive competence of the annual meeting of shareholders shall include:
1) approval of the annual financial plan and the report on its implementation;
(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63 and December 1, 2005 #158)

Article 22. Preparation and Dissemination of Materials of the Meeting

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

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

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

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

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

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

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

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

1) information report with the description of issues listed in the agenda and offered for the consideration of the meeting including the materials related to work experience and characteristics of candidates to the Board of Directors of a bank and other materials;

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

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

4. All documents listed in paragraph 3 of this article shall be sent to shareholders together with the notice on the forthcoming general meeting.

Article 23. Quorum and Voting at the Meeting of Shareholders of a Bank

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

In the event there is no quorum the Board of a bank shall be obliged to reconvene the annual meeting of shareholders of the bank, which will be
considered eligible if the shareholders or their authorized representatives, possessing more than forty percent of the votes of the placed voting shares of the bank, participate in that meeting.

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

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

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

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

The voting at the general meeting of shareholders shall follow the principle "one share - one vote", except voting for the members of the Board of Directors of a bank. The members of the Board of Directors of a bank shall be elected by cumulative voting.

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

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

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

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

The power of attorney for participation in the voting on behalf of a shareholder cannot be given to the officers of a bank.

6. A shareholder, group of shareholders or voting representative of the shareholders, who have more than twenty percent of voting shares, shall have the right after announcement of the voting results to demand the assignment of one or more independent persons to check the results of the voting. In case it is found that the calculation is wrong and the mistake exceeds three percent, or that the result of the voting is different, a bank should pay the expenses related to the examination of the voting procedure.

7. The minutes and shorthand report of the meeting of shareholders shall be certified by the chairman, the secretary of the meeting and by the election inspector.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 24. Board of Directors of a Bank

1. The business activity of a bank shall be regulated directly by the Board of Directors of the bank. The Board of Directors of a bank shall supervise the management of the bank, represent all shareholders and report to shareholders at each annual meeting of shareholders of the bank. The Board of Directors shall bear responsibility for the following:

1) formulation, approval and regular update of all the bank business strategies, business plans and policies;

2) identification of the main risks, to which the bank is subject, and setting acceptable risk levels;

3) supervision of actions of the Board aimed at risk identification, assessment, monitoring and management;

4) formation and maintenance of an adequate and effective internal control system as well as monitoring efficiency of the internal control system by the Board;
5) jointly with the Board of a bank, formation and maintenance of highly ethical and honest standards and development of the bank internal culture which emphasizes and demonstrates importance of internal control to the personnel at all levels.

Members of the Board of Directors are responsible for the bank policy.

2. The members of the Board of Directors of a bank shall be elected at the annual meeting of shareholders for one-year period. The Charter of a bank may limit the number of terms, for which the same person can be re-elected, and establish a condition that the person must be obliged to leave the Board of Directors as soon as it reaches certain age.

3. The Board of Directors of a bank may be elected both from shareholders of the bank, including founders, and other invited experts with good reputation and professional experience in the field of economy, finances or jurisprudence.

At least one member of the Board of Directors shall be an invited expert (non-shareholder or founder) who meets requirements set for members of the Board by the Bank of Kyrgyzstan.

4. The Board of Directors of a bank shall consist of five and more members. A bank, which has one or two shareholders, must have the Board of Directors of the bank, consisting of at least 5 members, who are to be contracted by the owners of the bank for the period of at least one-year.

The Board of Directors of a bank shall be headed by the Chairman of the Board of Directors of the bank to be elected by the members of the Board of Directors of the bank. The Chairman of the Board of Directors of a bank cannot be the Chief Executive Officer of the bank. The Chief Executive Officer shall participate at the meetings of the Board of Director in a consultative capacity.

5. The exclusive powers of the Board of Directors of a bank shall include the decision making on the following issues:

1) determination of strategic goals of a bank and formation of its policy;
2) determination and approval of the internal policy in respect of all types of activity of a bank;
3) approval or removal from office of the members of the Board of a bank as advised by the Chief Executive Officer of the bank;
4) approval of an internal auditor and determination of terms and size of remuneration of the internal auditor;
5) determination of terms and size of remuneration of members of the Board of Directors of the bank;
6) approval of the organizational structure of a bank;
7) It is excluded by the Law of the Kyrgyz Republic of March 26, 2003 #63;
8) examination of the activity of executive bodies and officers of a bank;
9) decision making in respect of establishment and/or liquidation of branches and representative offices of a bank;
10) review of results and taking measures on results of the external and internal audits and banking supervisors.

The issues referred to the exclusive competence of the Board of Directors of a bank cannot be transferred for consideration to the executive bodies of the bank.

6. The meetings of the Board of Directors of a bank shall be held at least once a month. The Board of Directors of a bank can make a decision without convening the meeting of the Board by signing the written document on which the decision shall be made by all members of the Board of Directors. The decision made in this way shall be confirmed at the nearest regular meeting of the Board of Directors of the bank.

Each member of the Board of Directors of a bank shall have one vote on the issues submitted for consideration of the Board. All decisions shall be made by the majority of the votes provided the quorum is available, by at least 2/3 out of the total number of votes of members of the Board of Directors.

The Secretary of the Board shall keep the minutes and the shorthand report of the meeting of the Board. The Chairman and the Secretary of the meeting shall sign the minutes of the meeting.

7. A member of the Board of Directors of a bank shall have the right to resign any time by submitting the written application to the Chairman of the Board. In case of a vacancy in the Board of Directors of a bank within the period between the annual meeting of shareholders of the Board of Directors of the bank may temporarily elect a new member of the Board by majority of the votes for the period till the next meeting of shareholders.

8. A member of the Board of Directors of a bank may be dismissed for the following reasons:

1) violation of the legislation of the republic and the normative acts of the Bank of Kyrgyzstan;
2) fraud, abuse of office or other illegal actions;
3) its removal from office serves the interests of a bank and shareholders of the bank;
4) systematic (more than twice in the last 12 months) violations of banking legislation even if they do not result in financial damage to the bank;
5) if it is part of the transaction which violated this Law or the normative legal acts of the Bank of Kyrgyzstan.

8-1. A person cannot be a member of the Board of Directors and shall be dismissed if it:

1) is a member of the Board of a bank;
2) has been a member of the supervisory body of the Bank of Kyrgyzstan for the last 12 months;
3) has a conviction record which has not been withdrawn and/or redeemed in compliance with the relevant legislation;
4) has been a manager of a legal entity subjected to bankruptcy proceedings through liquidation;
5) has been debarred from management of a legal entity or professional activity in compliance with the legislation of the Kyrgyz Republic;
6) is a government official (with the exception of state banks);
7) is a shareholder of another rival bank.

8-2. Each member of the Board of Directors shall be objective during decision making and act in the interests of a bank rather than personal interests or interests of individual participants (founders or shareholders) and bank officers.

The majority of members of the Board of Directors shall be independent. Independence means that:

1) a person has not been an employee or member of the Board of a bank in the last 3 years and/or is not a close relative of the above mentioned persons;
2) a person is not a close relative of a significant participant of a bank;
3) significant commercial, business or financial relations of this person with a bank and/or another legal entity that has common interests with the bank shall not affect the ability of a person to make objective decisions in the interests of the bank.

Characteristics of independence of members of the Board of Directors and their conformity with the independence characteristics as well as characteristics of significance of commercial, business and financial relations shall be determined by the Bank of Kyrgyzstan.

9. The Board of Directors of a bank may create a Consulting Council and committees to implement the business policy of the bank.

10. Removal from office of members of the Board of Directors of a bank in cases mentioned in paragraphs 7, 8-1, 8-2 of this article shall be based on the decision of the general meeting of shareholders of the bank, on the initiative of the Bank of Kyrgyzstan or the Board. If the relevant decision is not made by the general meeting of shareholders within 40 days of the written notification date by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan has the right to revoke or suspend the license of the bank.

The decision on removal from office of a member of the Board of Directors shall be made by open voting by a majority of votes of shareholders presented at the general meeting.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 15, 2004 #192, December 1, 2005 #158)

Article 24-1. Shariah Council

There shall be created the Shariah Council in a bank, performing operations in accordance with the Islamic principles of the banking and financing, which is responsible for the conformity of transactions (contracts) of the bank with the standards of Shariah.

The members of the Shariah Council shall meet the requirements, established by the Bank of Kyrgyzstan.

The Shariah Council of a bank approves standard contracts on transactions (contracts) of the bank, performed in accordance with the Islamic principles of the banking and financing.

(As amended by the Law of the Kyrgyz Republic of March 28, 2009 #93)

Article 25. The Board of a Bank
1. The Board of a bank shall govern the day-to-day activity of the bank. The competence of the Board of a bank shall include all issues, which are not in the exclusive competence of the general meeting of shareholders and the Board of Directors of the bank.

The members of the Board of a bank shall be assigned initially by the foundation agreement, and then shall be elected for this position by the Board of Directors of the bank.

The members of the Board of Directors of a bank cannot be members of the Board. The members of the Board may be bank employees who may or may not be shareholders of the bank.

The Board of a bank is responsible for:
1) execution of business plans (strategies) and policies approved by the Board of Directors of a bank;
2) development and timely introduction of bank processes that identify, assess, monitor and manage risks to which banks are subjected;
3) ensuring an adequate system of the bank management that clearly identifies responsibility, powers and relationship between various bodies, structural divisions, officers and employees of a bank;
4) implementation of an adequate internal control policy as well as monitoring of adequacy and efficiency of the internal control system.

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

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

If a bank is established by one shareholder, the latter cannot be assigned as the Chairman of the executive body - the Board of the bank.

The Board shall be headed by the Chief Executive Officer appointed by the Board of Directors and is responsible for the management of a bank, its employees and the officers.

The Board of Directors of a bank shall assign members of the Board of the bank nominated by the Chief Executive Officer.

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

The secretary of the Board of a bank shall take minutes of its meetings and the shorthand report.

The minutes of meetings and shorthand reports of the meetings shall be signed by the Chairman of the meeting and the secretary.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 25-1. Approval of Officers of a Bank

Officers of a bank shall meet the requirements set by the Bank of Kyrgyzstan. Officers of a bank and persons appointed according to the procedure prescribed by the Bank of Kyrgyzstan (including deputies and persons in temporary positions) shall go through the process of mandatory approval by the Bank of Kyrgyzstan, which involves checking if they meet minimum requirements set by the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 25-2. Internal Control System

1. A bank shall have an internal control system to enable the bank on continuing basis to identify and assess material and financial risks, which may unfavorably affect achievement of the bank goals. Such an assessment shall cover all type of risks, including credit risk, risk of interest rate change, exchange rate risk, concentration risk, liquidity risk, operational risk, legal risk, reputation risk, risk for involvement of a bank into the scheme of terrorism financing and legalization (laundering) of income, received by criminal way, other risks.

2. Control actions under the internal control system shall be an integral part of day-to-day operations of a bank. They shall include, at the very least, the following actions: management reviews; control actions at the level of departments and directorates; physical existence control; limit
compliance test and discrepancy tracking; the system of checking and comparison for compliance.

3. A bank shall have a division of powers and responsibilities system. Areas of potential conflict of interests shall be identified, minimized and subjected to independent monitoring.

4. A bank shall have adequate and comprehensive financial and other data on an on-line mode as well as information on market events and conditions which may affect decisions made by the bank management.

5. A bank shall have reliable information systems covering all significant areas of banking activity. These systems, including electronic data, shall be protected by appropriate instruments and technologies. Monitoring of their reliability is carried out by external and internal auditors. A bank must have a system for monitoring the effectiveness of internal control. Monitoring of key risks should be part of the daily activities of a bank.

6. A bank shall have the system of internal control aimed at anti-money laundering and anti-terrorist financing and for submitting information to the authorized bodies about operations, subject to compulsory control and shady operations connected with the terrorism financing and money laundering received by criminal way.

The banks, with the purposes of measures realization on anti-money laundering and anti-terrorist financing and strengthening of control by shady operations, receive from the authorized body on anti-money laundering and anti-terrorist financing, information about enumeration of persons, involved in terrorist (extremist) activity and laundering of money, received by criminal way.

7. The requirements to internal control of a bank, implementing operations in accordance with the Islamic principles of the banking and financing are established by the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, October 17, 2008 #217, March 28, 2009 #93, May 26, 2009 #167)

Article 26. Audit of a Bank

1. A bank shall carry out the internal audit to check and evaluate adequacy and effectiveness of the internal control system of the bank, as well as the fulfillment of duties by the executive officers of the bank in accordance with the existing regulations, observance of the legislation, accounting adequacy and other issues in accordance with the bank standards. The internal auditor reports to the Board of Directors, the procedure and requirements to the audit are determined by the Board of Directors and the Charter of the bank in compliance with the legislation requirements.

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

3. A bank shall have the Audit Committee consisting of three independent members of the Board of Directors appointed by the general meeting of shareholders for a year.

   The Audit Committee shall be convened by the Board of Directors or two members of the Audit Committee at least once a quarter.

   The main tasks of the Audit Committee are:

   1) ensure development and maintenance of appropriate accounting procedures and internal control;

   2) develop recommendations to the general meeting of shareholders on appointment of external auditors and when necessary initiate special audits of a bank, and invite experts to assist the Audit Committee at the expense of the bank;

   3) monitor legislation implementation, including regulations of the Bank of Kyrgyzstan and submit the report on this issue to the Board of Directors of a bank;

   4) implement tasks of the Audit committee of a bank holding company prescribed by the present Law.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 15, 2004 #192, December 1, 2005 #158)

See: Resolution of the Board of the National Bank of the Kyrgyz Republic of November 20, 2003 #32/7 for the main requirements to the Audit Committee.
Article 27. Conflict of Interests

1. The members of the Board of Directors of a bank shall:

1) be loyal to a bank and make all the efforts to protect the bank interests and to carry out the sound and reasonable banking practice while performing their duties;

2) not act as a member of the Board or as an officer in any other competing financial organization;

3) not be governmental officials. This provision shall not be applied to the members of the Board of Directors of state banks.

2. The members of the Board of a bank:

1) shall make all efforts to protect the bank interests and to carry out the sound and reasonable banking practice while performing their duties;

2) cannot act as a member of the Board of Directors of a bank, the Board or as an officer in any other competing financial organization.

3. Any transactions, signed between a bank and insiders of the bank, indicated in this article, shall be approved by the Board of Directors of the bank. A member of the Board of Directors of a bank or the Board cannot participate in the discussion and voting on the issues, in which it has a personal interest (directly or indirectly) and shall not be present when discussing issues where it has a personal interest.

4. In case of the conflict of interests when the Board of Directors of a bank refuses to vote or is not able to make a decision on a certain issue, members of the Board of Directors of the bank may decide by majority of the votes to pass this issue for consideration to the next annual or extraordinary meeting of shareholders.

5. A member of the Board of Directors of a bank or the Board, who is a party to a transaction, shall disclose, in a written form, the information on the extent of its interest in the transaction and/or nature of its relationship with a specific person. The member of the Board of Directors or the Board shall disclose the information as soon as it learns about the transaction.

The information shall be disclosed if a member of the Board of Directors or the Board or other persons related to its benefit from the transaction in terms of property, finance or some other way.

A member of the Board of Directors or the Board shall facilitate disclosure of facts contributing to the conflict of interests.

6. A member of the Board of Directors and a member of the Board shall submit, at least once a year, written information on its commercial, business or other material interests (personal interests) to the Board of Directors and the Board correspondingly.

7. Officers of a bank bear trustee duties to the bank they work for. They shall set interests of a bank and its clients above their own money and other material interests and shall not profit from their position or actions at the expense of the bank and its clients, except for salaries and other remuneration paid by the bank based on the contract in compliance with the labor legislation of the Kyrgyz Republic.

8. Shareholders of a bank and officers shall not take actions harmful to the interests of bank clients, including provision of credits, guarantees or other advantages, including higher interest rates on deposits, to themselves or persons who have common interests with them, if these advantages are provided at more favorable terms compared to terms of providing the same services to clients who do not have common interests with the bank. This proscription includes cases when credits are issued to persons not eligible for credits due to risks related to the persons (borrower).

9. A bank shall develop acceptable internal mechanisms and procedures aimed at preventing situations when interests of bank officers and employees come into conflict with the bank obligations to clients or when the bank obligations to a client come into conflict with its obligations to another client.

A bank shall in advance notify its clients of potential threats to the interests of clients caused by the activities of the bank as well as by third party actions, in accordance with requirements of the legislation on bankruptcy (insolvency).

10. In case provisions of this article are violated:

1) the court may declare the transaction invalid based on the appeal of a bank, a shareholder of the bank or the Bank of Kyrgyzstan;

2) the Bank of Kyrgyzstan shall have the right to dismiss a bank officer or demand its removal from office;

3) the Bank of Kyrgyzstan shall have the right to take other actions and sanctions provided by the banking legislation.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)
Article 28. Shares of a Bank

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

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

Signatures on each certificate or in statement of shares may be made by facsimile.

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

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

If a transaction on purchase, transfer or carve-out of shares exceeds 10 percent, the registrar shall demand a permission of the Bank of Kyrgyzstan from the person purchasing shares.

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

4. Shares of a bank shall be ordinary or preference shares. A bank may issue only registered shares.

5. A bank shall not guarantee the shareholders payment of dividends on ordinary shares.

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

1) if it leads to violation of economic norms, established by the Bank of Kyrgyzstan;
2) (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)
3) if the rate of the capital adequacy of a bank is below the minimum level established by the Bank of Kyrgyzstan for this bank;
4) if it leads to the reduction of the volume of required deductions to the reserve for offset of potential credit and leasing losses and damages;
5) if the amount of retained profit is equal to or less than zero due to losses caused by the activity of a bank;
6) (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)
7) if a bank suffered losses within the expired period of the current year, for the reporting year and/or for the previous year;
8) if the financial status of a bank is deteriorating.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 29. Register of Shareholders of a Bank

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

2. The register of shareholders can be maintained both on paper and on computers or other technical facilities. From the moment of the first issue the registrar shall obtain and maintain the complete information on all transactions with the shares of a bank, including all necessary documentation on these transactions. This information may be presented in the written form or in any other form suitable for storage. In case the information is computer based it is necessary to ensure a backup system, which may be in the written form, on a disc or a microfilm.

The original register shall be the records on the paper data carrier, certified by two signatures of officers and the seal of the register holder of bank shareholders.

The official register of shareholders of a bank shall be a list of shareholders of the bank, based on the data, which the bank or special registrar keeps in the written form, in the form of computer records or by use of other technical facilities.

3. The register of shareholders shall contain the data on each registered share, the date of acquiring the share, and number of shares held by each shareholder with details (location and registration number for legal entities, identity card and address for individuals) as well as other
information in accordance with the legislation.

The register of shareholders of a bank may contain other data, stipulated by the national legislation on securities.

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

The specialized registrar shall inform a bank on all changes in the register of shareholders in accordance with the established procedures and within the terms, but at least once a month, as established by the agreement between them.

5. A shareholder of a bank must inform the registrar on any changes, which may occur to it, related to registration of the transfer of rights of shareholders to shares.

Registration of new shareholders or registration of transfer of the right to hold shares from one shareholder to another shall be carried out after the submission of a necessary information (documents) on the transaction, which results in alienation or transfer of all shares of a bank or a part of them, to the registrar by a person acquiring shares or its representative. The form and content of the provided information shall comply with the requirements of the legislation.

In the instances where a transaction concluded between a bank, broker or depositary on behalf of clients should to be registered in the register, the bank, broker or depositary shall submit the documents on the results of the transaction to the registrar within three working days after execution of the transaction.

The registrar shall receive (accept) documents on the transaction, verify their accuracy, and make a record in the register within three working days after receipt of required documents, in compliance with the requirements of the legislation.

6. If the shares of a bank are used as a pledge then both the shareholder and a pledge holder shall address the registrar with the request to record the pledge of shares into the register of shareholders of the bank with indication of the voting rights.

The registrar shall make records in the register of shareholders on the facts of incurring or termination of the pledge of shares, or alteration of the number of pledged shares, no later than three days after receipt of the necessary information (documents) in compliance with the requirements of the legislation.

7. A bank shall not be responsible for failure of the shareholder to inform the registrar on the changes that must be registered in the register of shareholders.

8. On demand of shareholders, or their legal representatives, or of a bank or its official representative, the registrar shall within five working days after receipt of the inquiry, provide the extract from the register indicating number of shares held by any shareholder, and, if necessary, information on transactions conducted by these shares earlier.

A document issued by the registrar in compliance with this paragraph is not a security and used for confirmation of the right to hold the share at the moment of its issuance to a shareholder.

Any information from the register of shareholders shall be provided by the registrar on demand of the Bank of Kyrgyzstan.

(As amended by Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 30. Regulations on the Share Transfer

1. The shares of a bank shall be the property of their holder and may be transferred to other persons in accordance with the national legislation and the present Law.

The Bank shall have the right to establish rules and requirements compliant with the legislation, as well as terms and procedures related to placement of shares issued by this bank.

2. Restriction of the share transfer shall be allowed in the instances provided by the legislation.

The Bank of Kyrgyzstan may establish restrictions on transfer of controlling block of shares of a bank.

Restrictions of the share transfer shall be listed in the certificate of shares or in the extract given to the shareholder of a bank.

3. In case of the pledge of ten and more percent of shares of a bank it is necessary to obtain the preliminary approval of the Bank of Kyrgyzstan at least 30 days before the supposed date of the transaction.

Compulsory or voluntary foreclosure on pledged bank shares is not allowed without agreement of the Bank of Kyrgyzstan in accordance with
Article 31. Organization of the activity of a bank

1. A bank shall possess, use and manage its own funds, buildings, constructions and other tangible and intangible assets in accordance with this Law, the legislation of the Republic and its own foundation documents.

2. A bank shall be forbidden to conduct any other independent activity except:
   1) activity, indicated in the License;
   2) activity permitted in accordance with this Law;
   3) activity necessary to ensure the operation of a bank in accordance with the national legislation.

3. A bank may participate with its own funds in commercial and other non-banking organizations and financial institutions provided that:
   1) amount of any investments, including any financial investments and credits to any non-banking organization, shall be no less than 20% of the capital of a bank. At the same time, the total amount of such investments shall not exceed 60% of the capital of a bank, as it is determined in article 11 of the present Law;
   2) participation shall be considered as a long-term investment and not as an enterprise with the purpose of the active sale of shares of the non-banking organization, unless the license permits the bank such activity.

   The procedure and terms of bank investment, implementing operations in accordance with the Islamic principles of the banking and financing, in commercial and other non-bank organizations are established by the Bank of Kyrgyzstan.

   The Bank of Kyrgyzstan may publish the normative acts explaining and developing this provision.

   3-1. The Bank of Kyrgyzstan has the right to issue normative acts regarding investing performing by a bank for the purpose of securities active trade.

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

(As amended by the Laws of the Kyrgyz Republic of May 16, 2008 #88, March 28, 2009 #93)

Article 32. Property of a Bank

1. A bank may buy, transfer, maintain, lease and alienate property in the instances where:
   - it is required for the activity of a bank;
   - it is required to secure recovery of the issued mortgage and similar credits;
   - immovable property is acquired by means of purchase, transfer, alienation and other means in order to recover (partially or in full) the earlier issued credits.

2. A bank may invest funds, also by means of acquisition into the bank premises in the amount of capital determined in accordance with the normative acts of the Bank of Kyrgyzstan.

   Bank premises are understood as immovable property (including constructed/mountable immovable property), that belongs to a bank or is at the disposal of the bank in compliance to the financial lease contract and that will be used as the capital asset.

   Under investment in this paragraph shall be understood investments into the property improvements (including leased property) and any
investment in the shares or bonds or any other similar debt obligations of the enterprise, which owns the premises of a bank and all credits, provided to such enterprises and/or collateralized by their shares.

3. A bank cannot keep the immovable property acquired by the bank as a result of purchase, alienation or transfer of assets used as credit collateral, for more than 3 years, if otherwise is not specified by the Law.

4. The Bank of Kyrgyzstan shall have the right to issue the normative acts on the issues of record, determination of the allowed period for retaining the property, the evaluation standards and other issues related to immovable property, used or not used in the banking activity.

5. The peculiarities of purchase, proprietorship, transference, maintenance, renting, alienation of the bank property, implementing operations in accordance with the Islamic principles of the banking and financing, are established by the Bank of Kyrgyzstan.

(Art amended by the Laws of the Kyrgyz Republic of May 16, 2008 #88, March 28, 2009 #93, May 26, 2009 #172)

Article 33. Bank Operations

1. A bank may carry out the following types of bank operations with special indication at them in the license:

   1) to attract deposits on its own behalf on terms and conditions agreed with the depositor;
   2) to allocate its own or borrowed funds on its own behalf on terms and conditions agreed with the borrower;
   3) to open and maintain the accounts of individuals and legal entities in national currency of the Kyrgyz Republic;
   4) to carry out settlements on the instructions of clients and corresponding banks and their cash service;
   5) to issue, purchase, pay off, accept, keep and confirm payment instruments (checks, letters of credit, bills and other documents), including credit and payment cards;
   6) to purchase and sell debt obligations (factoring), and to record promissory notes and bills of exchange (forfeiting);
   7) to issue debt securities under terms and conditions, established by the Bank of Kyrgyzstan in the relevant normative acts;
   8) to carry out financial leasing transactions;
   9) (null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)
   10) to issue bank guarantees.

1-1. If there is a corresponding license, a bank can render services, corresponding to the Islamic principles of the banking and financing in the order, established by the Bank of Kyrgyzstan.

   The Bank of Kyrgyzstan has a right to approve the limited list of operations, as well as type contracts (agreements), corresponding to the international practice, implemented in accordance with the Islamic principles of the banking and financing.

   The procedure of getting licenses for the bank operation implementation in accordance with the Islamic principles of the banking and financing is defined by the normative acts of the Bank of Kyrgyzstan.

2. In addition to the bank transactions listed in paragraph 1 of this article, a bank has the right to perform the following transactions:

   1) to issue sureties and other obligations for third parties;
   2) to acquire rights of claim from third parties of fulfillment of obligations in the monetary form;
   3) to provide broker services including purchase and sale of securities on client instructions, provided that it has a license to conduct such activity as provided by the legislation;
   4) to perform trust management of a property under agreement with an individual or legal entity, provided that the license required by the legislation is available;
   5) to lease to individuals and legal entities specialized premises or safes therein, to keep money, documents and valuables;
   6) to withdraw and sell the property pledged by pledgers in order to liquidation of their obligations to the bank. These operations shall not be considered as trade transactions;
   7) to issue securities under its own name provided that the permission (license) to exercise such activity is granted;
   8) to provide consulting and information services related to banking activities including bank management services;
Banks have the right to carry out other transactions required for their activities, in compliance with the legislation of the Kyrgyz Republic.

3. Provided that the additional license is available, banks may perform:

1) all or some operations listed in paragraph one of this article in foreign currency, including operations on the accounts in foreign currency for clients and on purchase of foreign currency on behalf of a client;
2) purchase and sale of foreign currency on its own behalf;
3) operations with precious metals (only bank silver, gold, platinum and coins made of these materials of high standard);
4. In accordance with the procedure and restrictions established by the Bank of Kyrgyzstan, and provided that there is a license available, banks may carry out the following activities:

1) to purchase and sell securities for a bank on its behalf;
2) to issue securities by the instructions and on behalf of other companies;
3) to make operations with derivative financial instruments;
4) (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)
(As amended by the Laws of the Kyrgyz Republic of December 1, 2005 #158, March 28, 2009 #93)

Article 34. Ban on Inauthentic Advertising

1. A bank shall not advertise its activity, if the advertising does not reflect the real situation in the bank.
2. The Bank of Kyrgyzstan shall have the right to order any bank to change or revoke the advertisement and information on the activity of a bank or change the name of the bank, if the content of the advertisement, information or the name of the bank may mislead depositors or other persons.
3. In the event the requirements of the Bank of Kyrgyzstan stipulated in paragraph 2 of the present article are not met within the set time frame, the Bank of Kyrgyzstan shall have the right to publish information on incompliance of the advertisement with the real situation at the expense of a bank that has published the advertisement.
4. Liability for intentional publication of inauthentic information on the activity of a bank in the press shall arise in accordance with the legislation of the Kyrgyz Republic.

Article 35. Granting Credits

1. Credit operations of a bank shall be carried out in accordance with its internal credit policy approved by the Board of Directors of the bank.

The Board of Directors of a bank shall regularly review conformity of the credit policy and the credit strategy as well as estimate the risk level, which the bank will undertake to achieve its business objectives and confirm that the risks are within the applicable limits. The credit strategy should reflect the information on major economy sectors, to which a bank is intending to direct its credits; as well as information on its major and potential borrowers, terms of credits, currency thereof, location of the borrowers and the expected rate of repayment and profitability of the credits.

The Board of a bank shall bear responsibility for implementation of the credit policy and credit strategy of the bank, for which purpose it has to develop and implement into the activities of the bank the policies and procedures on revealing, measuring, monitoring and controlling credit risks. Such policies and procedures shall cover credit risks in all types of the activities of a bank, in specified loans and the bank investment portfolios. A bank should manage credit risks in all its developments in the bank products, operations and activities. A bank should make sure that all risks have been identified, assessed and are under control in on all new products prior to entering the market of such products, otherwise risks on them shall be undertaken by the bank. This has also to be initially confirmed by the Board of Directors or an appropriate body of a bank, whose scope of work includes making such decisions.

2. The body implementing the internal credit policy shall be the Credit Committee of a bank appointed by the Board of Directors of the bank. The decisions on all issues related to granting credits, guaranties, liabilities, sureties etc. shall be made by the Credit Committee or by the
persons to whom the Committee has assigned this right. The Committee shall also consider issues related to the division of powers on granting credits. In particular cases, the Board shall have the right to cancel or reconsider decisions of the Credit Committee.

A bank shall issue credits basing on criteria ensuring stability of the bank. These criteria shall include a requirement on careful examining of the prospective financial status of a borrower and its activity as well as objectives and the structure of the credit investment, and resources for the credit repayment.

3. Different levels of executives shall be engaged in granting credits and these officers shall bear responsibility for violations of the legislation of the Kyrgyz Republic in their crediting activity.

A bank shall establish credit limits for different categories of borrowers, branches, groups of related persons, as well as for different types of credit investments including credit substitutes and all kinds of active investments, including risks of credit losses regardless of how they have been granted, legalized, or whether they are any kind of financial instruments.

4. The norms stipulated in this article shall be extended to the guaranteed (non-balance) liabilities of a bank, as well as to other operations, which are actually credit transactions bearing risks of credit losses regardless of how they have been issued, legalized, or whether they are any types of financial instruments.

5. A bank shall have to perform classification of its credit portfolio and other assets, including off-balance liabilities, on a regular basis and make necessary deductions into the potential losses reserve, which are referred to expenses in accordance with the normative acts of the Bank of Kyrgyzstan.

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

A bank cannot issue credits for purchasing securities, issued by the bank itself, or against the guarantee of such securities.

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

A borrower shall be liable for the completeness and reliability of the information provided to a bank.

9. A bank shall have a system of regular monitoring the condition and quality of each credit including identification of the sufficiency of created potential losses reserve as well as for constant administration of the bank portfolio of investments, bearing risks of credit losses.

A bank shall develop and introduce the system of internal rating of risks in credit risk management. The system of internal rating of risks shall comply with the nature, amount and complexity of the activities carried out by a bank.

A bank shall have information systems and methods of analysis, which will allow to measure credit risks that are inherent for all its balance and non-balance operations (activity). These systems shall allow the bank to get reliable information on the content and condition of the credit portfolio and of all investment portfolios including identification of any risk increment. In the assessment of credits, credit portfolios and investment portfolios a bank shall consider potential future changes in the economic environment, thus it should assess level of credit risks for extreme situations.

10. A bank shall have a system of managing problem credits and unexpected situations.

11. A bank shall identify and have a constantly operating system of independent credit inspection. Findings of such inspections shall be submitted directly to the Board of Directors and the Board of a bank. A bank shall have no right to grant credits (any kinds of credit substitutions or any types of financial instruments bearing risks of credit losses), if credit limits established by the present Law, the normative acts of the bank of Kyrgyzstan and internal restrictions of the bank have been violated.

A bank shall have an established function of controlling credit risks for the purpose of ensuring that credit risks are within the established standards and internal restrictions. Any potential infringements, deviations from policy, procedures and internal restrictions must be reported to the bank management for taking immediate actions.

(As amended by the Laws of the Kyrgyz Republic of April 27, 2005 #63, December 1, 2005 #158)

Article 35-1. Allocation of funds by the Islamic principles of the banking and financing
Types of transactions (agreements) of a bank, implementing operations in accordance with the Islamic principles of the banking and financing by allocation of funds are carried out in accordance with the type agreements, approved by the Shariah Council and affirmed by the Board of Directors.

Allocation of funds by the Islamic principles of the banking and financing is carried out in accordance with the requirements of the Bank of Kyrgyzstan.

(As amended by the Law of the Kyrgyz Republic of March 28, 2009 #93)

Article 36. Interest and Commission Rates

1. A bank shall independently establish interest and commissions rates as well as tariffs for banking services.

Information about interest rate, commission charges and rates for banking services should be open and cannot be the subject of a commercial or banking secret. Interest rates and commission charges in proved, annual, effective comparable computation should be pointed out in bilateral treaties concluded by a bank and a client as well as during publications and distribution of the information about interest rates and commission charges for banking services.

In case of non-compliance with this requirement, the Bank of Kyrgyzstan has the right to influence a bank with measures established by the legislation of the Kyrgyz Republic.

2. A bank may regularly revise interest rates for deposits and credits upon agreement with clients and with consideration of the current economic situation. This condition must be included into bilateral agreements between a bank and a client.

3. To avoid monopoly in the banking system and to provide transparency of services provided by banks, the Bank of Kyrgyzstan may issue the normative legal acts and/or establish certain restrictions for banks regarding paragraphs 1 and 2 of the present article.

(As amended by the Law of the Kyrgyz Republic of May 16, 2008 #88)

Article 36-1. Islamic principles of banking and finance

In the Kyrgyz Republic, along with the traditional banking and credit, apply the Islamic principles of banking and finance.

Procedure for carrying out banking operations in accordance with the Islamic principles of banking and finance is determined by the Bank of Kyrgyzstan.

(As amended by the Law of the Kyrgyz Republic of March 28, 2009 # 93)

Article 36-2. Fees and similar payments

A bank carrying out the operations in accordance with the Islamic principles of banking and finance, is free to set the order, the size and the rules of such payments and entitlements of clients.

(As amended by the Law of the Kyrgyz Republic of March 28, 2009 #93)

Article 37. Restrictions for Operations with Insiders and Affiliates

1. (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158.)

2. A bank shall have no right to grant credits to its insiders (internal personnel) in the following cases:

   1) if it has current losses for the latest reporting date;

   2) (Null and void in accordance with the Law of the Kyrgyz Republic of December 1, 2005 #158)
3) in case the amount of all credits and substitutes thereof issued by a bank to one insider exceeds the established percentage of the bank total capital established by the normative acts of the Bank of Kyrgyzstan;

4) if the total amount of all credits and substitutes thereof granted to the bank insiders exceeds the limits established by the Bank of Kyrgyzstan.

2-1. A bank shall have no right to grant credits of insiders and affiliates if impartiality principle requirements are violated. The impartiality principle assumes that a bank shall have no right to grant credits to insiders and affiliates and significant shareholders if the conditions for granting such credits are more favorable than for the credits that have been granted under similar conditions to borrowers, who have not common interests and to significant shareholders of the bank. The Bank of Kyrgyzstan shall have the right to establish impartiality principle requirements for related persons pursuant to the provisions of the present article.

3. A bank and its subsidiaries may participate in operations and transactions with affiliates only in case they comply with the normative legal acts of the Bank of Kyrgyzstan including the requirement on the consolidated size.

Each credit, guarantee, as well as bill of exchange or letter of credit, issued by a bank or its subsidiary in the interest of affiliates must be secured by a pledge.

4. Granting credits to the bank insiders and affiliated entities with consideration of non-balance liabilities shall be discussed at the Board of Directors of a bank and the credit may be granted only upon the decision of the Board of Directors of the bank and within the limits established by the Bank of Kyrgyzstan.

5. The Bank of Kyrgyzstan shall have the right to issue the normative acts related to granting of credits to insiders and affiliates and set limits for the amount of credits as well as for operations and transactions with these companies.

6. A bank shall not carry out any operations with insiders and affiliates, management of affiliates, relatives of insiders or in their interest if such operations shall be carried out on more favorable conditions than in bank operations with other entities. The number of operations carried out with violation of the present paragraph is insignificant.

Provision of more beneficial conditions shall mean the handling of a bank the transaction with a person or in the interest of the person, which by its nature, objective, peculiarities and risk, the bank would have never handled with any other clients, or it may mean decreasing the size of the repayment, rates of collection (interest rate) and the pay for banking operations, or accepting a collateral lower than established for other clients.

7. A bank may not handle a transaction with a person to provide it with a possibility to:

- pay liabilities to the bank insiders or affiliates;
- purchase any property from the bank insiders or affiliates;
- purchase securities emitted by the bank affiliates.

8. The decision of the corresponding body on any transaction between the bank and insiders, affiliates, management staff of affiliates, relatives of insiders may be taken only upon the Board of Directors considering all terms and conditions for handling the transaction.

A bank shall be obliged to provide the Bank of Kyrgyzstan with the information on all transactions with insiders, affiliates, management staff of affiliates, relatives of insiders in the form established by the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 No.63, of December 1, 2005 No. 158)

Article 38. Organization of Settlements

1. A bank shall make all settlements in forms accepted in the Kyrgyz Republic and international banking law including settlements with the use of the electronic payments system.

2. In case of receiving payment orders from clients related to the transferring funds and paying taxes, if there is money on the accounts, a bank shall exercise client orders on payment of taxes as the first priority order.

A bank shall send taxes and other amounts payable to the budget on the date of performing the operation on withdrawing funds from the client account.

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

If the tax amount is not transferred to the budget on the date of receiving the payment order, a financial sanction shall be applied to a bank, a fine constituting 0.15 percent of the amount transferable per each day of delay during the period from receiving the payment up to the date of the actual transfer of the tax to the budget. The similar procedure shall be applied in the case of delaying transfer of budget funds to the client account.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

CHAPTER V.
BANK SUPERVISION AND STANDARDS

Article 39. Bank Regulation

1. The Bank of Kyrgyzstan shall regulate activities of banks for the purposes of maintaining a stable financial system, supporting the reputation of banks of the Kyrgyz Republic, protecting interests of creditors and depositors, as well as observing the banking legislation of the Kyrgyz Republic, the Law of the Kyrgyz Republic “On anti-money laundering and anti-terrorist financing” and the normative acts of the Bank of Kyrgyzstan.

2. To perform its functions related to the regulation of the activities of banks the Bank of Kyrgyzstan shall have the right to apply the following retaliations to:

1) establish prudential regulations;
2) inspect the activities of banks, their affiliates and bank subsidiaries or authorize independent auditors or audit firms to carry out such inspections;
3) give recommendations on the improvement of the financial situation;
4) send out instructions mandatory for implementation on elimination of revealed violations and shortcomings in the activities of a bank;
5) apply preventive measures and penalties stipulated by the current banking legislation;
6) require and receive balance sheets, financial statements and other documents or information about the activities of a bank;
7) temporarily suspend, restrict or prohibit performing certain banking operations;
8) suspend or revoke the license for banking activities;
9) apply laying-up procedure.

2-1. For the purpose of preventing abuses the Bank of Kyrgyzstan establishes requirements of the impartiality principle for banks when granting credits and making active investments. In case a bank violates the impartiality principle, the Bank of Kyrgyzstan shall have the right to apply one or several of the following actions to:

1) establish restrictions to a bank by categories of such credits or investments;
2) require additional pledge;
3) deduct such credits or investments from the capital to value sufficiency of the capital;
4) require replacing executives responsible for such violations;
5) inform the society of the facts of the bank violating the impartiality principle and the legislation requirements;
6) pass materials on such credits to the law enforcement bodies for considering responsibility of the persons engaged in granting credits with violation of the impartiality principle;
7) in the case of regular (more than twice during 12 months) violations of the impartiality principle, take all actions stipulated by the present Law and the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” for banks, including revocation of the license and starting the procedure of involuntary liquidation of the bank.

3. Supervision of affiliates of foreign banks of capital shall be carried out by the bank supervisory bodies of the country, where the main (parent) bank is founded, in compliance with the agreement with the given supervisory body.
4. Regulation of the activity of a bank shall be carried out over a certain bank as well as on a consolidated basis, i.e. over a group of banks or the bank affiliates. The rules for consolidated supervision shall be established by the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158, May 26, 2009 #167)

Article 39-1. Prudential Regulations

1. The Bank of Kyrgyzstan establishes prudential regulations and other obligatory to observance by banks and companies the norms and limits, used in the international bank practices, as well as developed by the international organizations establishing standards for banks implementing operations in accordance with the Islamic principles of the banking and financing.

2. The established standards and methods for estimating prudential regulations and other mandatory standards and limits, the size of the charter and own capital of a bank, settlement procedure and limits for foreign exchange exposure, reserve ratios, forms for corresponding reporting statements and terms for submitting them shall be established by the Bank of Kyrgyzstan.

See: Resolution of the Board of the National Bank of the Kyrgyz Republic of March 11, 2009 #12/6 "On the Minimum Size of the Capital (capital base) of Banks".

The Bank of Kyrgyzstan shall have the right to apply actions on bringing to responsibility the bank management members and (or) significant shareholders or officers thereof for the bank violation of prudential regulations and (or) other mandatory standards and limits.

3. For the purpose of performing the functions of supervision and legal regulation of the activity of banks, the Bank of Kyrgyzstan shall, within its competence, enact the normative legal acts, mandatory for all banks, individuals and legal entities and government authorities.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158, March 28, 2009 #93)

Article 39-2. Restrictive Measures

1. In case the Bank of Kyrgyzstan reveals violations of regulations and other mandatory standards and limits, violations of the normative legal acts of the Bank of Kyrgyzstan, including violations resulted from the illegal activity (inactivity) of officers, staff members of banks and affiliates, which can endanger its financial security and stability and the depositors interests, the Bank of Kyrgyzstan may apply restrictive measures to the bank and its affiliates, stipulated by the legislation.

The procedure for applying restrictive measures shall be established by the Bank of Kyrgyzstan.

2. All the disputes arising between the Bank of Kyrgyzstan and other banks or entities carrying out certain banking operations and their founders (shareholders), legal entities and individuals, which are related to the enforcement of the present Law, shall be settled with mandatory observation of the pre-trial disputes settlement procedure in accordance with the legislation of the Kyrgyz Republic.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

See:

Resolution of the Board of the National Bank of the Kyrgyz Republic of March 18, 2005 #5/5 "On approval the Regulation on Pre-trial Disputes Settlement between the National Bank of the Kyrgyz Republic and Commercial Banks, Entities Carrying Out Certain Banking Operations and their Founders (Shareholders), Legal Entities and Individuals".

Article 40. Bank Supervision
The Bank of Kyrgyzstan shall carry out supervision including consolidated supervision over the activity of the banking group and affiliates by arranging examination and analysis of their activities based on the submitted financial and other statements (external supervision) as well as by conducting of direct inspections at sites.

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)

Article 41. External Banking Supervision

The Bank of Kyrgyzstan shall appoint authorized inspectors for carrying out external bank supervision.

If in the course of examining and reviewing the bank financial and other statements and documents, the authorized inspectors of the Bank of Kyrgyzstan have any queries related to the activity of a bank, they may additionally request necessary information and documents, clarifications and explanations with regard to the submitted statements.

Article 42. Inspection of Activities of a Bank

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

The Bank of Kyrgyzstan performs inspection of activity of banks and other financial institutions, licensed and regulated by the Bank of Kyrgyzstan, regarding arrangement of internal monitoring for the purpose of anti-money laundering and anti-terrorist financing, and sends the information on monitoring results to the authorized agency, responsible for anti-money laundering and anti-terrorist financing.

2. The Bank of Kyrgyzstan may appoint in writing one or several competent persons as inspectors for reviewing and reporting on the nature and status of the activities of a bank or any specific aspect of its activity, by providing the bank with a written assignment on carrying out an inspection other necessary documents pursuant to the procedures established by the Bank of Kyrgyzstan.

3. A bank, affiliates and insiders (including members of the Board of Directors and the Board, significant participants, officers, auditors and other persons) shall be obliged to assist inspectors appointed by the Bank of Kyrgyzstan on the issues specified in the written assignment of the Bank of Kyrgyzstan for inspection as well as to provide assistance in interviewing executives and employees and provide access to the information sources needed for inspection.

Inspectors of the Bank of Kyrgyzstan shall have the right, upon presenting a written document confirming their authorities to:

- interview the members of the Board of Directors and the Board, bank employees, external auditor(s), and lawyers; make copies or take extracts from necessary documents and request clarifications on the documents from the bank or other persons, who are or used to be significant participants, controlling persons.

- conduct other necessary activities related to the inspection of the activities of a bank;

- order creation and maintaining of adequate reserves for potential losses on credits or other assets similar to them.

4. The authorities of the Bank of Kyrgyzstan related to the inspection of the activities of a bank shall be applied to any entity of the banking group, or any other entity having common interests with the bank, as well as subsidiaries, representative offices of foreign banks working in the territory of the Kyrgyz Republic and subsidiaries. The mentioned companies and their officers are obliged to assist and not hinder the Bank of Kyrgyzstan in carrying out its authorities to the extent required from the bank and its officers.

In case the bank affiliates shall be supervised (controlled or inspected) by another authorized state body, the Bank of Kyrgyzstan shall have the right to use financial statements and other materials from that state body, to obtain information in accordance with the present article. The Bank of Kyrgyzstan shall also have the right to carry out inspection of such affiliated entities if the other authorized body does not have the information that the Bank of Kyrgyzstan needs or if the information provided by other authorized state body is insufficient.

5. Inspectors shall be prohibited to disclose or assign the data obtained in the course of inspecting the activities of a bank to third parties.

Pursuant to the legislation of the Kyrgyz Republic, persons carrying out the inspection shall be liable for disclosure or assigning the information obtained in the course of inspecting the activities of a bank, which is the confidential information of the bank or commercial secrecy, to third parties.
6. The Bank of Kyrgyzstan shall establish the procedure for carrying out inspections with consideration of and in accordance with the current international banking practice.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158, May 26, 2009 #167)

Article 43. Information and Documents

1. In order to perform its functions in compliance with the present Law the Bank of Kyrgyzstan shall have the right to request and obtain necessary information, which is at the disposal of a bank, significant participant or any member of the banking group and persons having common interests with the bank.

2. The obtained data shall not be assigned to third parties without the consent of a bank except for the cases stipulated by the legislation of the republic.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158).

Article 44. Procedure for Acquiring a Significant Part of Shares and Control of a Bank

1. Any individual or legal entity shall have to obtain the permission of the Bank of Kyrgyzstan if it is planning independently or together with other parties to:
   - become a significant shareholder of a bank;
   - possess direct or indirect ownership and management of more than 20% of the bank voting shares;
   - become a controller of a bank.

To obtain the permission of the Bank of Kyrgyzstan the above mentioned persons shall have to submit a written application to the Bank of Kyrgyzstan.

One shall have to obtain a permission of the Bank of Kyrgyzstan if, as a result of additional purchase of the bank shares or of any other action, an individual or legal entity becomes directly or indirectly:
   - a significant participant of a bank;
   - exercises directly or indirectly ownership or management of more than twenty percent of the voting shares.
   - controller of a bank.

2. The Bank of Kyrgyzstan shall notify the applicant about its decision - consent or refusal, in writing within 60 days from the date of receiving an application. The date of filing an application shall be the date of submitting all documents completed in accordance with the requirements of the present Law and the normative acts of the Bank of Kyrgyzstan. The application shall not be considered submitted unless all required data is provided to the Bank of Kyrgyzstan regardless of the source of this data. The refusal should be substantiated.

3. In order to get the consent of the Bank of Kyrgyzstan the applicant shall have to provide the Bank of Kyrgyzstan with information on the origin of a legal entity (if the applicant is a legal entity), its current activity, financial position and financial possibilities, on the extent of reliability, information on other persons, with whom the applicant may have common interests, information on the sources of incomes, which it is going to use for purchasing the bank shares and other information in accordance with the requirements of the Bank of Kyrgyzstan. If the application mentions about direct purchase or indirect ownership of the bank shares, the applicant should also disclose the information on the degree of association, on the source of incomes, which it is going to use for this purpose. The applicant shall also disclose information on its intention on changing the management staff and the bank policy.

If the applicant is a foreign individual, it should submit references about its business reputation from not less than two persons having a positive business reputation.

If the applicant is a legal entity, it should submit information on its supervision and executive management bodies and other officers in compliance with the normative acts of the Bank of Kyrgyzstan.

If the applicant is a foreign bank or any other entity subject to supervision by financial supervisory body in the country of origin (registration), the applicant shall additionally submit information, according to the requirements of the Bank of Kyrgyzstan, on the supervision
regime applied to it, including a written confirmation of the supervisory body of the corresponding state that the given applicant is subject to consolidated supervision in the country of origin (registration) and on the readiness of the supervisory body to cooperate with the Bank of Kyrgyzstan on a regular basis.

If there is information that the applicant is acting together with another person the Bank of Kyrgyzstan shall have the right to require from the applicant to disclose the information related to that fact.

4. The Bank of Kyrgyzstan may refuse to approve the application if:
   1) approving the application will result in the monopoly in the banking system of the Kyrgyz Republic;
   2) financial status of the applicant is unsatisfactory;
   3) the Bank of Kyrgyzstan is informed on the improper business reputation of the applicant and its officers (if the applicant is a legal entity);
   4) if the applicant failed to provide all required information or provided distorted or inaccurate information;
   5) the Bank of Kyrgyzstan has the information that a bank will not perform operations in compliance with the requirements set forth in the banking practice;
   6) if the previous activity of the applicant ended in bankruptcy or caused bankruptcy to any legal entity or brought it to significant financial losses;
   7) officers of the applicant (legal entity) planning to become controlling entities of a bank do not meet eligibility requirements established by the Bank of Kyrgyzstan;
   8) interests of the bank depositors may be affected and it will be impossible to carry out effective supervision in a bank as a result of the relations between the bank and the applicant and/or affiliated entities and companies having common interests with the bank;
   9) it is impossible to identify real significant participants or controllers of the applicant;
   10) the applicant suggests considerable changes in the bank policy, which endangers financial stability and reliability of a bank or the interests of the bank depositors;
   11) the applicant is a foreign legal entity subject to supervision on the part of a supervisory body in its country of origin (registration), and if:
      - it has not submitted information that in its country of origin (registration) an effective supervision is carried out (consolidated for banks) to the Bank of Kyrgyzstan;
      - in the opinion of the Bank of Kyrgyzstan the applicant is not provided effective supervision (consolidated for banks);
      - lack of cooperation with the supervisory body of the country of origin of the applicant (registration).

5. The application procedure shall be regulated by the normative acts of the Bank of Kyrgyzstan.

6. According to the present article the Bank of Kyrgyzstan shall have the right to require information from controllers and significant shareholders of a bank at any time. The information on the newly appointed members of the Board of Directors (supervisory body) or the Board (executive body) on a significant participant (legal entity) shall be submitted to the Bank of Kyrgyzstan within ten working days from the date of appointment together with information on the business reputation and reliability of the newly appointed officers.

7. If a person acquires a significant part of shares or control over the bank without prior written notification of the Bank of Kyrgyzstan, such a transaction shall be deemed null and void.

8. The Bank of Kyrgyzstan may cancel its approval initially issued to the applicant in accordance with the present article, if facts of violating the present article are revealed.

9. In the cases mentioned in paragraphs 7 and 8 of the present article, a person whose violations have been revealed, shall terminate its influence on the management of a bank and its policy (including direct or indirect voting right) and must decrease its participation in the charter capital of the bank to the level lower than significant shareholding or controlling, within the time frame established by the Bank of Kyrgyzstan.

10. The Bank of Kyrgyzstan shall have the right to require additional information from any legal entity controlled by the party, which may, without prior approval from the Bank of Kyrgyzstan, become a significant shareholder or controller of a bank or may make investments to the bank as a result of which the bank may become a depending entity of this party.

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)
Article 45. Improvement of the Financial Situation of a Problem Bank

1. In case the financial situation of the problem bank deteriorates, the Bank of Kyrgyzstan shall have the right to raise the issue on financial recovery, or apply one or several of the following sanctions:

1) the bank submission of a well-grounded letter-obligation on improving the financial situation;
2) signing a written agreement with a bank on taking actions on improving the financial state of a bank;
3) appointing of a qualified consultant;
4) sending a written notification or order to a bank with the attached certificate on the financial state of a bank;
5) introducing direct bank supervision;

See:
Resolution of the Board of the National Bank of the Kyrgyz Republic of May 28, 2008 #22/4 “On new edition of the Regulation “On the direct banking supervision”

6) replacing the bank management staff;
7) issuing loans as a tender of last resort;
8) appointing a provisional bank management staff;
9) restructuring a bank.
10) other requirements on financial recovery of a bank including the requirement on its capitalization.

2. Submission the well-grounded letter-obligation on financial recovery shall mean the bank sends a written notification to the banking supervision body unilaterally indicating specific shortcomings in the activities of the bank and ways of eliminating thereof.

3. A written agreement on the financial state of a bank improvement measures shall mean concluding an official agreement (minutes), signed by the Chairman of the Board of Directors of the bank and the authorized officer of the Bank of Kyrgyzstan on taking urgent measures to rectify serious shortcomings in the activities of the bank.

4. The Bank of Kyrgyzstan may appoint a qualified officer, who will be responsible for consulting the problem bank on taking measures related to rectifying the situation in the bank. In this case a bank shall cover all expenses incurred by the consulting services provided to the bank.

5. The banking supervision body shall send notification to a bank in case it is required to inform the bank that it is violating certain rules and regulations or is engaged in the activities, which endanger its stability and safety, warning the bank that more serious penalties may be applied to it.

6. Direct banking supervision shall be introduced in cases when in the opinion of the Bank of Kyrgyzstan a bank is taking risks and such activities may affect its welfare but there are not sufficient grounds for appointing a provisional management or revocation of the license for banking activities.

Direct banking supervision shall also be introduced for better examination of the financial condition of a bank, its accounting and reporting systems and for other purposes identified by the Bank of Kyrgyzstan.

7. The Bank of Kyrgyzstan shall have the right to require termination or suspension of the authorities of bank officers, who are drawing the bank into activities endangering its safety and stability, and if facts of the non-observance of the bank of the banking legislation or the normative acts of the Bank of Kyrgyzstan are revealed.

8. The Bank of Kyrgyzstan may grant the banks short-term secured and payable credits for the period no longer than six months to maintain liquidity of the bank.

In emergency cases to protect the integrity of the bank system, the Bank of Kyrgyzstan may provide unsecured credit or a credit secured by other types of assets for the term of up to six months under the conditions established by the Bank of Kyrgyzstan.

9. The provisional management may be introduced to a bank by the Bank of Kyrgyzstan in the following cases: revealing violations in the
activities of the bank due to inability of the bank management to provide full compliance of the activity of the bank with the banking legislation; involvement of the bank into illegal banking practice; inadequate financial position of the bank; in cases of disputes between management divisions of the bank, which disorganizes its activity; lack of coordination of the bank due to the replacement of the bank management; violation of the legislation by the bank officers, initiation of a criminal case against the management staff members or officers of the bank or initiation of criminal proceedings against them.

10. The Bank of Kyrgyzstan may issue the normative acts related to the procedure of applying certain measures aimed at improving the financial state of a bank.

(As amended by the Law of the Kyrgyz Republic of March 25, 2003 #63)

Article 45-1. Preventive Measures and Penalties Applied by the Bank of Kyrgyzstan

1. When detecting the facts of non-observance by the banks or financial institutions, the activity of which is licensed by the Bank of Kyrgyzstan, their officers, significant participants of breaking the bank legislation, the Law of the Kyrgyz Republic “On protection of bank deposits”, the Law of the Kyrgyz Republic “On anti-money laundering and anti-terrorist financing”, normative acts and directions of the Bank of Kyrgyzstan, involvement of the banks into operations, menacing its stability, as well as non-submitting or submitting unreliable and/or incomplete information, or when the banks or financial and credit organizations become bankrupt, the Bank of Kyrgyzstan through its authorized body or an officer can take one or some of the following measures and sanctions in respect to the bank, members of the Board of Directors, the Board, a significant participant:

1) issue orders the implementation of which shall be mandatory on rectifying the revealed violations within the established time frame;
2) apply other penalties pursuant to paragraph 2 of the present article;
3) suspend or revoke the license;
4) start bankruptcy procedure in accordance with the legislation of the Kyrgyz Republic.

The Bank of Kyrgyzstan must be guided by the requirement to meet the high standards of banking practice and the stability of financial system of the Kyrgyz Republic in taking actions and applying sanctions with regard to banks or financing institutions, which activities are licensed by the Bank of Kyrgyzstan. It may not be governed or influenced by shareholders, affiliates or take into consideration potential losses, which might be incurred by certain actions of the Bank of Kyrgyzstan, taken for protection of creditors’ interests and/or for maintaining the stability of the financial and banking systems of the republic.

The Bank of Kyrgyzstan shall not be liable for any losses incurred by application of sanctions stipulated by the present Law.

2. In case of nonperformance in the established by the Bank of Kyrgyzstan term of directions about elimination of violations, as well as when detecting the facts of non-observance by a bank or financial and credit organization (the activity of which is licensed by the Bank of Kyrgyzstan) economic norms or violation of the bank legislation, the Law of the Kyrgyz Republic “On protection of bank deposits”, the Bank of Kyrgyzstan has a right to apply one or some of the following measures to:

1) introduce higher prudential regulations;
2) increase the amount of mandatory reserves;
3) charge penalty not higher than 1 percent of the paid charter capital for each specific case of violation pursuant to the procedure established by the Board of the Bank of Kyrgyzstan;
4) charge penalties from certain officers in the amount and in accordance with the procedure established by the legislation of the Kyrgyz Republic;
5) appeal with a mandatory order to:
   - replace all or certain officers and prohibit their further participation in the operation of a bank;
   - carry out financial recovery activities;
   - carry out capitalization or restructuring;
   - carry out unplanned audit at the expense of the audited bank;
   - restrict, temporarily terminate or suspend a certain activity or operations;
suspend payment of dividends or appropriation of any type of profits.

6) preserve assets appoint a provisional management for the period of six months;

7) suspend the license for the period up to 6 months with possible appointment of a provisional management and restricting all or some operations authorized by the license;

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

1) if within 6 months upon receiving preliminary permission to open a bank, the minimum charter capital of the established bank has not been paid;

2) if within 6 months upon receiving the preliminary permission for opening a bank it is revealed that the information based on which the permission has been issued, is inauthentic.

3) if the financial state of founders has deteriorated or facts, basing on which the license had been refused, are revealed;

4) if the bank founders decided not to start the activity of a bank.

4. Licenses from a bank or financial institution, issued by the Bank of Kyrgyzstan, may be revoked in any of the following cases:

1) in the events stipulated in paragraph 1 of the present article and if the Board of the Bank of Kyrgyzstan agrees that it is necessary to revoke the license;

2) systematic (two or more times within 12 successive calendar months) non-performance of mandatory instructions of the Bank of Kyrgyzstan;

3) if the ratio adequacy of the bank total capital is two percent or will be below this level in the near future by the estimation of the Bank of Kyrgyzstan and if founders, regardless of the preliminary warning, are not increasing the capital and/or are not taking measures on exceeding that level within the time frame established by the Bank of Kyrgyzstan;

4) in case the requirements and sanctions applied by the Bank of Kyrgyzstan pursuant to paragraph 2 of the present article are not met;

5) systematic (two or more times within 12 successive calendar months) unduly or non-observance of the Bank of Kyrgyzstan normative acts has been revealed;

6) systematic provision of inauthentic information or revealing within a year from the date of issuing the license of inauthentic information, based on which it has been issued;

7) taking part in the operations prohibited by the legislation of the Kyrgyz Republic or being engaged in the activity not covered by the license;

8) insolvency or the Bank of Kyrgyzstan declaring it insolvent in accordance with the legislation of the Kyrgyz Republic;

9) if a bank delays its activity on accepting deposits and granting credits for the term of more than 1 year after its registration and obtaining the banking license;

10) if a bank does not meet the requirements of the antimonopoly legislation;

11) from an affiliate of a foreign bank - in case the head office is being liquidated or its license is revoked by the country where it is registered.

12) in cases, envisaged by the Law of the Kyrgyz Republic “On protection of bank deposits”.

5. The activity of a bank or financial institution licensed by the Bank of Kyrgyzstan may be suspended on other grounds stipulated by the legislation of the Kyrgyz Republic.

A bank or a financial institution, which activity is licensed by the Bank of Kyrgyzstan, may stop their activity and return their licenses by notifying the Bank of Kyrgyzstan in writing and specifying the expected date, and only upon getting the approval of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan may require meeting demands of depositors and other creditors before approving their close down.

6. In case there is a threat of recognizing a bank bankrupt (if the capital ratio is two percent or lower) in order to protect creditors and depositors of the bank, the Bank of Kyrgyzstan may exercise any of the following activities in addition to the authorities stipulated by the present Law and the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”:

1) order a bank to take or not to take certain measures;

2) order shareholders to provide a bank with additional capital or sell their shares to the persons willing to acquire them at the cost established by the Bank of Kyrgyzstan.
3) order a bank to sell all or part of its property to obtain liquid assets without initiating the bank bankruptcy proceedings;
4) provide a bank with own liquid assets under the pledge security;
5) assign a bank the status of a conserved bank and appoint a conservator;
6) initiate extrajudicial bankruptcy proceeding of a bank;
7) support the application of a bank or its shareholders on initiating a bankruptcy proceeding (a judicial or extrajudicial proceeding).

7. Preventive measures and sanctions to an officer and/or significant participant of a bank shall be undertaken by the Bank of Kyrgyzstan in the following cases:
   - if a person violates provisions of the present Law and the normative acts of the Bank of Kyrgyzstan;
   - if the specified person creates a situation endangering financial stability of a bank and interests of depositors;
   - if the mentioned person abuses its authorities;
   - if the mentioned person does not seem reliable, which is crucial for its job.

Preventive measures and sanctions to the officer or significant participant of a bank, bank holding company includes the right of the Bank of Kyrgyzstan to require suspension of the right to vote on the shares or ban further participation in the activity of the bank or its affiliates in accordance with the procedure established in paragraphs 3 and 4 of article 49-6 of the present Law.

Nobody can stay in the position of an officer or participate in the activity of a bank or its affiliates if such a ban is established by the Bank of Kyrgyzstan in accordance with the present article.

In case a court proceeding is initiated with regard to an officer of a bank or bank holding company the Bank of Kyrgyzstan shall issue and order on temporary dismissal of the person from the position in accordance with the procedure established by the law, and in the case of recognizing this person guilty of crime, dismiss it.

When establishing applicability of these measures and sanctions to the officer or significant participant of the bank holding company, the Bank of Kyrgyzstan shall consider whether the infringements on the part of that persons have a negative impact on the financial position of a bank subsidiary.

8. Measures and sanctions established in the present Law may also be applied to officers and significant participants of bank holding companies and any persons violating the requirements of the present Law and attracting deposits and funds equaling to them without the relevant license of the Bank of Kyrgyzstan or its special permission.

9. Appealing against the measures and sanctions of the Bank of Kyrgyzstan shall not suspend their enforcement.

10. The Bank of Kyrgyzstan applies sanctions provided for in this article with respect to Islamic banks and banks with "Islamic windows" in case of violation of the normative legal acts in the part regulating the activities of banks with operations in accordance with the Islamic principles of banking and finance.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158, October 17, 2008 #217, November 20, 2008 #243, March 28, 2009 #93)

See also:
Resolution of the Board of the National Bank of the Kyrgyz Republic of May 19, 2005 #16/2 "On approval of the Regulation "On Retaliation Applied to the Banks and Other Financial Institutions Licensed by the National Bank of the Kyrgyz Republic"

Article 46. Instruction on Elimination of Revealed Violations

Upon discovering facts of non-compliance of a bank with the normative legal acts or violation of the banking legislation and upon establishing the facts of the bank involvement into unhealthy banking practice, the Bank of Kyrgyzstan may issue a mandatory instruction for the bank on elimination of revealed violations within a certain period.

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)
Article 47. Penalties

1. In the case of the bank failure to comply with the requirements of the present Law or in the situations threatening interests of depositors and other creditors of the bank, the Bank of Kyrgyzstan may charge a fine in the amount not exceeding one percent of the paid charter capital of the bank for each specific violation if:

1) a bank violates the banking legislation, the normative acts of the Bank of Kyrgyzstan;
2) a bank fails to perform instructions of the Bank of Kyrgyzstan;
3) a bank breaches a written agreement between the Bank of Kyrgyzstan and the bank upon the request or application from the bank;
4) a bank breaches a written agreement between the bank and the Bank of Kyrgyzstan signed in accordance with paragraph 3 of article 45 of the present Law;
5) a bank fails to provide or provides inaccurate and/or incomplete information;
6) a bank is involved into unsafe or unhealthy banking practice.

2. The Bank of Kyrgyzstan may charge a fine from a bank and affiliates if the bank is involved into violations described in paragraph 1 of the present article that cause or may cause substantial losses to the bank or bring benefits or profits to the party, which involved the bank into such activities.

3. The Bank of Kyrgyzstan may charge a fine from certain members of the Board and officers of a bank for non-compliance with the banking legislation, the normative acts and instructions of the Bank of Kyrgyzstan in the amount of 20 minimum wages, stipulated by the legislation of the Kyrgyz Republic on the date of collecting the fine.

4. The Bank of Kyrgyzstan shall charge a fine after sending a preliminary order (notice) to a bank.

5. The funds received as penalties shall be transferred to the republican budget.

6. The procedure for implementing the decision of the Bank of Kyrgyzstan on charging a penalty shall be established by the normative acts of the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, January 27, 2006 #22)

Article 48. Restricting Some Types of Banking Operations

1. The Bank of Kyrgyzstan shall be authorized to make a decision on suspension, restricting or termination of certain banking operations in case it discovers violations in the activities of a bank, its affiliate, bank subsidiary or bank holding company related to:

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

2) violation of the banking legislation, prudential regulations or the Bank of Kyrgyzstan has sufficient grounds to presume that a bank may in future violate the banking legislation, the normative acts of the Bank of Kyrgyzstan or its orders as well as written agreements concluded between the bank and the Bank of Kyrgyzstan in accordance with the present Law.

2. The Bank of Kyrgyzstan shall have the right initially to discuss the situation with a bank to make a decision on suspension or restricting certain banking operations.

3. (It is excluded in accordance with the Law of the Kyrgyz Republic of March 26, 2003 #63)

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

5. The decision, made by the Bank of Kyrgyzstan, shall contain the description of specific violations in the activity of a bank and reasonable arguments about the fact that these violations represent the menace of its reliability and stability, as well as the interest of depositors and other creditors. In the decision there shall be contained also the specific requirements (measures) connected with the limitation or suspension of some bank operations, including one or some of the following requirements:

1) to indemnify, ensure payment under conditions guaranteed by a bank if the bank or party related to it have unfairly made money by violating
the banking legislation, the normative acts of the Bank of Kyrgyzstan or as a result of violating its orders;

2) to limit payment of dividends;

3) to limit the growth of a bank by ban to open affiliates of the bank;

4) to sell some assets of a bank;

5) to cancel any contract or agreement entered by a bank;

6) to take other actions, which the Bank of Kyrgyzstan finds necessary under these circumstances.

6. The decision made by the Bank of Kyrgyzstan in accordance with this article shall become effective from the date of its approval if it is not stipulated otherwise in the decisions itself. Appealing against the decision made by the Bank of Kyrgyzstan on suspending, restricting or terminating certain banking operations to the court shall not cancel it.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, November 20, 2008 #243)

Article 49. Protection of Deposits

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

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

2. A bank may also select other forms of protection of deposits used in the international banking practice.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

CHAPTER V-I
Consolidated Supervision of Groups of Banks

(As amended by the Law of the Kyrgyz Republic of December 1, 2005 #158)

Article 49-1. Sufficiency of Capital and Prudential Regulations for Banking Groups

1. Sufficiency of capital of a banking group and participants of the banking group may not be lower the level established by the Bank of Kyrgyzstan. A bank holding company or a bank heading the banking group shall be responsible for the meeting the given requirement by participants of the banking group.

2. The Bank of Kyrgyzstan shall issue the normative acts establishing requirements to the sufficiency of capital of participants of a banking group and bank holding companies as well as other requirements and prudential regulations to protect interests of depositors of this group.

Article 49-2. Activities of Banking Groups

Companies included into a banking group may carry out only banking and/or financial activity as well as the activity related to the banking and financial activities including holding shares of the group participants, in the case with bank holding companies, as established by the Bank of Kyrgyzstan.

Article 49-3 Systems of the Risk Management of the Banking Group and Internal Control

1. Participants of a banking group may not undertake risks, which may endanger the financial stability of a bank or the banking group.
2. Banking groups shall have risk management and internal control systems, which should conform to the activity of a banking group.

3. A bank or a bank holding company heading a banking group shall be responsible for providing the conformity of the banking group to the requirements of the Bank of Kyrgyzstan.

Article 49-4. Management of bank holding companies

1. Officers of a bank holding company, members of the Board of Directors (supervisory body), the Board (executive body) shall meet eligibility requirements established by the Bank of Kyrgyzstan. Tutorial responsibilities applied to the members of the Board of Directors and the Board shall also be applied to supervisory and executive management body members of the bank holding company.

2. Each bank holding company shall have the Audit Committee with 3-5 members appointed by the general meeting of shareholders for one year. Members of the Board (executive body) of the bank holding company or its employees may not be at the same time members of the Audit Committee. A member of the Audit Committee may not be the member of the Board (executive board) or employee of a bank subsidiary or a subsidiary to a bank holding company.

3. The Audit Committee of a bank holding company shall:
   - provide establishment and maintenance of the corresponding accounting procedures and internal control system for a bank holding company;
   - approve candidates for the internal audit of a bank holding company, establish their salaries, and evaluate their performance;
   - select (or approve the selection) of external auditors of a bank holding company, establish the fees for their services and consider reports thereof;
   - examine reports of internal auditors of a bank holding company, management and external auditors on the financial and business activity of the bank holding company, their compliance with the laws and the normative legal acts of the Bank of Kyrgyzstan and the decisions related to a bank and bank holding company and inform the bank supervisory body of the bank holding company of its findings;
   - present to the Board of Directors (supervisory body) of a bank holding company, the Bank of Kyrgyzstan its conclusions on the issues set up by the Board of Directors (supervisory body) or on the issues, which in the opinion of the Audit Committee may affect the steady activity of the bank holding company;
   - advise the Board of Directors (supervisory body) actions on removing the revealed violations or operational shortcomings;
   - inform the Bank of Kyrgyzstan and Board of Directors (supervisory body) and the Board (executive body) on the revealed shortcomings;
   - perform other tasks in compliance with the charter of a bank holding company.

4. The Audit Committee shall hold its meetings not less than once in a quarter. Decisions shall be taken by the majority of the present Audit Committee members. Nonvoting may take place only in the case of conflict of interests.

Article 49-5. Reports Provided by Bank Holding Companies

1. Each bank holding company shall submit its annual report to the Bank of Kyrgyzstan within the time frame established by the Bank of Kyrgyzstan. The reports shall contain information on the activity of a bank holding company including:
   1) type or types of activities carried out by a bank holding company;
   2) information on all subsidiaries and dependent companies of a bank holding company, including the name, percentage of ownership, type or types of ownership in which each subsidiary and dependent company is involved;
   3) individual or consolidated balance sheet and the profit and loss statement by the end of the fiscal year from the bank holding company and its subsidiaries.

Bank holding companies shall notify the Bank of Kyrgyzstan on establishment and acquiring non-bank affiliated or dependent companies within 30 days. The given notification shall include the information specified in paragraph 1 of the present article and financial reports of its affiliates for the last two years of their activities shall be attached to it.
Bank holding companies shall notify the Bank of Kyrgyzstan within 30 days after a company stops being subsidiary or dependent company to a bank holding company.

2. A bank holding company shall notify the Bank of Kyrgyzstan on each new member of its Board of Directors (supervisory body) and the Board (executive body) within ten days after their appointment with attaching information required by article 44 of the present Law related to their meeting the eligibility criteria established by the Bank of Kyrgyzstan.

3. The Bank of Kyrgyzstan shall also have the right to require provision of other reports or information from bank holding companies for assessing their financial state, risk management system and the quality of the corporate management of a bank holding company, and for establishing the influence on the bank subsidiary and for securing observance of provisions of the present Law.

4. Each bank holding company shall submit to the Bank of Kyrgyzstan its annual report together with the financial statements, including assessment of the adequacy of the internal control for the bank holding company and the banking group. The report shall be signed by the Chairman of the Board of Directors (supervisory body), the Board and the chief accountant of a bank holding company. Requirements to the content of the report shall be established by the normative acts of the Bank of Kyrgyzstan.

Article 49-6 Measures Applicable to the Participants of the Banking Group

1. In case an affiliate of a bank is violating the requirements of the Bank of Kyrgyzstan and/or the banking legislation or if in the opinion of the Bank of Kyrgyzstan its activity or financial position is damaging or can damage the financial stability of the bank and interests of depositors, the Bank of Kyrgyzstan may require the affiliate to take measures on removing the revealed violations and shortcomings.

The requirements of the Bank of Kyrgyzstan shall be presented in the written agreement between the Bank of Kyrgyzstan and an affiliate of a bank or in the order of the Bank of Kyrgyzstan.

2. The Bank of Kyrgyzstan may require the significant participants to take actions with regard to the companies under its control, whose activities or financial situation, in the opinion of the Bank of Kyrgyzstan, is damaging or can damage the bank stability and interests of the bank depositors.

The requirements of the Bank of Kyrgyzstan shall be presented in the written agreement between the Bank of Kyrgyzstan and the significant participants of a bank or in the order of the Bank of Kyrgyzstan.

3. If the requirements of the Bank of Kyrgyzstan established in accordance with paragraphs 1 and 2 of the present article are not implemented within the established time frame, the Bank of Kyrgyzstan shall have the right to:
   1) in the case with a subsidiary of a bank - require the bank to suspend any investments to this company;
   2) in the case with a bank holding company - require the bank holding company to suspend control over the bank and suspend directly or indirectly the voting right on shares and assign the shares to the trust management to the third legal party (trust manager) agreed (approved) by the Bank of Kyrgyzstan for the period required for implementation of requirements of the Bank of Kyrgyzstan;
   3) in the case with affiliates of a bank - affiliate and/or bank to suspend carrying out operations, transactions (direct or indirect) between such affiliates and the bank;
   4) in case the companies are controlled by significant participants of a bank, require the significant participant to:
      - suspend participation in the activity of a bank including suspension of the voting rights on shares directly or indirectly and assign the shares to trust management to the third party - legal entity (trust manager) agreed (approved) with the Bank of Kyrgyzstan for the period needed to meet the requirements of the Bank of Kyrgyzstan;
      - and/or suspend performance of direct and indirect operations, transactions between a bank and a significant participant and/or between the bank and a company of significant participation.

The requirements of the Bank of Kyrgyzstan shall be presented in the written agreement between the Bank of Kyrgyzstan and significant participants of a bank or in the order of the Bank of Kyrgyzstan.

Assignment of the bank shares to the persons specified subparagraphs 1,2,3,4 of the present paragraph for trust management to the trust manager shall be carried out based on a written agreement between them upon the agreement (approval) of the trust manager by the Bank of Kyrgyzstan. The agreement shall include (mandatory conditions):
   - authority for trust management to participate in the bank management;
- authority for trust management to alienate securities stipulated in item 4 of the present paragraph.

In case the person(s) specified in subparagraphs 1, 2, 3, 4 of the present paragraph do not meet the requirements of the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have the right to take the case to the court to force the person(s) to sign an agreement with the trust manager on transferring the bank shares to trust management in accordance with the requirements of the present paragraph.

4. If the requirements of the Bank of Kyrgyzstan made in accordance with paragraphs 1 and 2 of the present article are not implemented within the deadlines established by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have the right to:

   1) in the case with a subsidiary or dependent company – require a bank to decrease its investments to the level, when a company is no longer subsidiary or dependent;

   2) in the case with a bank holding company – cancel the permission to acquire control over a bank and require control and significant participation in the bank;

   3) in the case with a subsidiary of a parent company of a bank, require the bank holding company to stop controlling the subsidiary or the bank;

   4) in the case with companies that are significant participants of a bank – cancel the permission to be a significant participant in the bank and require termination of the significant participation in the bank.

The requirements of the Bank of Kyrgyzstan shall be presented in the written agreement between the Bank of Kyrgyzstan and significant participants of a bank or specified in subparagraphs 1, 2, 3, 4 or in the order of the Bank of Kyrgyzstan.

The alienation of shares in the cases provided for in this paragraph shall be made within the time prescribed by the Bank of Kyrgyzstan.

In case the abovementioned persons do not implement requirements of the Bank of Kyrgyzstan within the time frame established by the Bank of Kyrgyzstan, it shall have the right to require implementation of its requirements in a judicial proceeding.

5. The agreement between the Bank of Kyrgyzstan and the person(s) mentioned in paragraphs 1, 2, 3, 4 of the present article is a written agreement to take actions on removing the revealed violations and shortcomings within the time frame set up by the Bank of Kyrgyzstan.

   The order of the Kyrgyz Republic shall be a direction on taking mandatory actions aimed at removing the revealed violations or shortcomings within the time frame set up by the Bank of Kyrgyzstan. Appealing against the order of the Bank of Kyrgyzstan shall not suspend its implementation.

6. Before taking measures pursuant to the present article to a participant of a banking group (which is not a bank), a significant participant of a bank, which are subject to supervision (control) by the authorized state body, the Bank of Kyrgyzstan shall officially notify the state body on the grounds and the time frame for taking measures. The authorized state body with regard to the notification of the Bank of Kyrgyzstan shall inform the Bank of Kyrgyzstan of the actions (measures, sanctions) performed by it or of the reasons for not taking actions with regard to the participant of the banking group.

   In the case of inactivity or insufficiency of actions of the state body for improving the situation threatening interests of the bank or its depositors the Kyrgyz Republic shall have the right to apply any measures stipulated by the present article.

7. In the case the Bank of Kyrgyzstan cancels the permission for performing significant participation or controlling a bank in accordance with provisions of the present article, provisions of paragraph 7 of article 44 of the present Law shall be applied.

8. The Bank of Kyrgyzstan shall have the right to take immediate actions specified in paragraphs 3 and 4 of the present article, if in its opinion, there is a case of emergency, making application of such actions necessary to protect a bank or its depositors.

   Actions and sanctions stipulated by other provisions of the present Law may be applied to banks and other participants of a banking group.

   **Article 49-7. Interaction between Supervision Bodies of the Financial Sector**

   If a company, which is part of a banking group, is subject to supervision or regulation by another authorized state body, the Bank of Kyrgyzstan or other authorized state body shall cooperate in order to provide comprehensive regulation and supervision over the banking group.

   The authorized state body must provide the Kyrgyz Republic with information, which it has at its disposal and which is related to a banking group or any participant of the banking group:
allowing to determine the structure of a banking group, controllers, officers; on changes in the structure of owning, managing or organizational structure of any participant of a banking group, which require approval or notification of this authorized state body; on the activity and policy of a banking group or participant of the banking group; on the financial state of a banking group and its participants (special attention shall be paid to the adequacy of the capital, operations with persons having common interest, inter-group risks and profits); on arranging the system of internal control of a banking group or participant of the banking group and risk management; on the procedure of data collection from management bodies of participants of a banking group and verification of such data; on operations, transactions, other events inside a banking group or participant of the banking group, which can to a great extent influence the activity of the bank – participant of the banking group; on measures and sanctions, applied by the authorized state body with regard to participants of a banking group; other information required for effective bank supervision.

CHAPTER VI
RELATIONSHIP OF A BANK WITH CLIENTS

Article 50. Fundamentals of Relationships of a Bank with Clients

1. Credit and settlement services as well as other banking services to legal entities and individuals pursuant to the provisions of the present Law shall be provided to individuals and legal entities.

The agreement must stipulate basic terms and conditions of contracting parties, rights, obligations and responsibilities thereof, terms and procedure for paying interest rates on deposits and credits, rates and tariffs for performing banking operations, procedure for introducing amendments to the agreement, its validity term, penalties for not meeting the requirements of the agreement, including unilateral amendment thereof and other conditions envisaged by the current legislation and by agreements between the parties.

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

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

A bank shall be obligated to provide basic conditions for conducting operations upon the client request.

Each bank and its subsidiaries should have the annual report on the activities of a bank as well as other information related to the activities of the bank, which shall be provided to any client, or investor of the bank.

3. A bank shall explain to its clients or deliver in writing a notice every time when the terms of providing services change with regard to a definite client, including:

1) information on providing fee-paid services by a bank;
2) information on the size of payment for provided services including credits;
3) information on interest rates and terms of paying interest on deposits;
4) procedures and terms for considering of client complaints;
5) other terms for performing banking operations.

4. All amendments and supplements into agreements signed by a bank and a client may be introduced only upon mutual agreement of the parties. A bank shall be prohibited to change unilaterally the agreements with a client on receiving deposits, unless it is provided otherwise by the agreement.

Changes related to banking services or interests on deposits or credits shall be published in the mass media and placed by a bank at the information stands in all its subdivisions.
5. Disputes arising in the course of performance of the agreement shall be settled in the court if they are not settled by the agreement of the parties.

6. Banks shall be liable for fulfillment of obligations to the clients in accordance with the legislation of the Kyrgyz Republic, unless otherwise provided by the agreement.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 51. Checks, Bills and Other Payment Instruments

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

2. A bank may also use cards, which give a client an opportunity to withdraw money from special automatic machines using special code and a card. Such cards shall be used with preliminary notification of the Bank of Kyrgyzstan.

Article 52. Freedom of Choice of a Client of a Bank

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

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

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

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 53. Prohibition of Use of Accounts for Criminal Purposes

For the purposes of reputation protection of the Kyrgyz Republic and its financial and bank system, non-admission of banks' usage in the operations connected with the terrorism financing and laundering of money, received by criminal way, as well as with the purposes of protection of interests of depositors and other creditors of banks it is prohibited to use bank accounts with the criminal purposes. The Bank of Kyrgyzstan, on the basis of the legislation and international agreements (contracts) by this issue, has a right to issue the regulatory acts.

(As amended by the Law of the Kyrgyz Republic of October 17, 2008 #217)

Article 54. Bank Secrecy

1. A bank (including the Bank of Kyrgyzstan), its founders, shareholders, members of the Board of Directors and the Board, executive
officers, employees of the bank and persons that work for the bank shall not disclose to third persons or use for any purposes any information which is entrusted to them or to which they had access in the process of relationships between the bank and a client unless there are grounds prescribed by the legislation.

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

2. Prohibition for the bank information disclosure includes:

1) non-admission of usage of received (entrusted) information for the benefit of a bank or any other person, if there is no permission or instruction by a client;

2) non-disclosure of available information to the third parties, with the exception of cases of presenting information to the Bank of Kyrgyzstan, authorized body on anti-money laundering anti-terrorist financing, and auditors, when their performing liabilities, as well as cases, envisaged by the Law of the Kyrgyz Republic “On the banking secrecy”.

3. The banks on the basis of official inquiry of the authorized body on anti-money laundering and anti-terrorist financing, submit additional information in accordance with the Law of the Kyrgyz Republic “On anti-money laundering and anti-terrorist financing”.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, May 16, 2008 #88, October 17, 2008 #217)

See also the Law of the Kyrgyz Republic of July 23, 2002 #122 “On the banking secrecy”

Article 55. Protection of Interests of Clients

(It is excluded in accordance with the Law of the Kyrgyz Republic of
May 16, 2008 #88)

Article 56. Seizure and Foreclosure on Cash Assets and Other Valuables in Banks, Suspension of Transactions on Client Accounts

1. Cash assets and other valuables of legal entities in banks may be arrested only by the court decision (verdict), resolution of the investigation bodies in accordance with the legislation of the republic. Foreclosure may be imposed only by the court orders.

2. Seizure of cash assets and other valuables of individuals in banks may be carried out only by the court decision, resolution, sentence of the court, order of the investigation bodies with authorization of the prosecutor on cases in proceedings and foreclosure may be imposed only on the basis of verdict or decision of the court.

Seizure of documents kept in banks may be done only by the court decision or by investigation bodies with authorization of the prosecutor.

3. Confiscation of cash money and other valuables of individuals may be conducted only on the basis of a valid judgment or ruling of the court made in compliance with the Law and containing the norm on confiscation of property.

4. Banks suspend operations and transactions of individuals and legal entities, which are suspected (information available) in participation in terrorist or extremist activity (financing of terrorism or extremism), in order and terms, provided by the Law of the Kyrgyz Republic “On anti-money laundering and anti-terrorist financing”

(As amended by the Law of the Kyrgyz Republic of May 26, 2009 #167)

Article 57. Right of Minors on Deposits

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

2. A deposit made by somebody in the name of a minor shall be disposed:

- by parents or lawful representatives until a minor reaches 14 years of age;
- by minors themselves when they reach 14 years of age.
CHAPTER VII
ACCOUNTING AND REPORTING IN BANKS

Article 58. Accounting and Reporting in a Bank

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

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

See:

Resolution of the Board of the National Bank of the Kyrgyz Republic of October 23, 2004 #26/2 “On approval of the Regulations on Requirements to Accounting Policy of Commercial Banks and Other Financial Institutions Licensed by the NBKR”.

3. The Chief Executive Officer, who has the right to act on behalf of a bank according to the foundation documents, shall be liable for authenticity and completeness of submitted information and reports in accordance with the legislation of the Kyrgyz Republic. The chief accountant shall be responsible for true statement of accounting operations and events in financial statements.

4. The Bank of Kyrgyzstan shall establish structure and deadlines of submission of annual report by a bank.

5. Banks shall record operations and indicate them in financial statements in compliance with financial reporting standards. The Bank of Kyrgyzstan shall establish the list, format and timing of submission of accounting, banking and other reporting, including consolidated reporting, as well as liability for failure to meet these requirements.

6. In case of differences and contradictions in the bank reporting, which may present inaccurate or incorrect information to the Bank of Kyrgyzstan about the bank implementation of prudential standards and other norms and limits, a bank shall notify the Bank of Kyrgyzstan about it and submit revised reports. In the absence of the bank justification or official agreement of the Bank of Kyrgyzstan on revisions, the priority shall be given to the reporting data used for estimating the bank prudential standards and other norms and limits.

7. Banks shall submit to the Bank of Kyrgyzstan, upon its request, any information on its assets, including those outside the Kyrgyz Republic (correspondent accounts, inter-bank deposits etc.), on deposit sizes and issued credits, banking operations and other information, compiling bank secrecy.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 18, 2003 #235, March 10, 2005 #46)

Article 59. Publishing of Basic Indicators of the Activities of a Bank

1. A bank shall publish its annual report including balance sheet and loss and profit report in publications in compliance with the format, accounting standards and within the terms established by the Bank of Kyrgyzstan after confirmation by the audit firm (auditor) of authenticity of data presented therein and approval of annual balance sheet and loss and profit report at the annual general meeting of shareholders. Disclosure of the annual financial statements shall correspond to the volume and nature of the bank operations.

2. When disclosing the main indicators of the activity a bank shall:

   - disclose information on its policy, practice and methods used for estimating the credit risk level of a bank by various products and investment portfolio;
   - disclose information on its policy and methods used for estimating contributions to general and special reserves to cover credit losses. A bank shall explain the main data used for such estimates;
disclose quality information on the nature of credit risks so that users can understand how a bank defines credit risks and what type of activities are prone to such risks;

disclose information about significant participants of a bank, management, organizational structure, including the structure and organization of the bank functions on credit risk management and about policy and practice of risk control;

disclose information on its technique and methods of overdue and bad assets recovery;

present information on systems of credit rating and models of credit risk evaluation in use;

disclose arrears on investments, including current arrears, where possible, indicating future potential losses by the main types and categories. Information shall be given on the nominal credit investments, trade and investment portfolio, assets and liabilities management portfolio, off-balance-sheet transactions in terms of maturity up to 1 year, from 1 to 5 years, over 5 years as well as by sectoral affiliation and territorial location of borrowers;

disclose information on all significant credit risk concentrations;

disclose information on the credit risk reduction technique, used by a bank, including collateral, warranty and guarantees of payment, credit insurance and other means;

disclose general information on credits restructured within a year;

disclose information on income, net profit and repayment on assets and capital;

disclose information on meeting requirements and economic norms established by the legislation and the Bank of Kyrgyzstan;

disclose information on retaliation measures towards a bank by supervisory and regulatory bodies (Bank of Kyrgyzstan, State Committee on Securities Market) in the form of sanctions against the bank and its officers, demands on replacement of managers, additional capitalization or provision of additional capital.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, May 16, 2008 #88)

Article 59-1. Reporting and Other Information of Affiliates and Insiders

Any affiliates of a bank and insiders whose activities are related to the activities of the bank shall submit, on demand of the Bank of Kyrgyzstan, financial statements and any other information following the procedure prescribed by the Bank of Kyrgyzstan.

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 1, 2005 #158)

Article 59-2. Audit of a Bank, Bank Holding Companies (Parent Companies) and Affiliate Legal Entities of the Bank

1. Each bank, bank holding company (parent company), significant subsidiary of a bank or bank holding company, constituting an audited group, shall be subject to annual audit by an independent audit organization (external auditor) licensed to conduct audits in compliance with the legislation of the Kyrgyz Republic on auditing activities.

For the purpose of this article, “a significant subsidiary of a bank or a bank holding company” is any subsidiary of the bank or the bank holding company which:

- produced over 10 percent of gross return of a bank or a bank holding company over the reporting financial year;

- or has over 10 percent of consolidated assets of a bank or a bank holding company at the end of the reporting financial year.

Provisions of this article are applicable to other financial institutions licensed by the Bank of Kyrgyzstan.

2. Only an audit organization can be an external auditor of a bank.

An audit organization selected to conduct audit of a bank or a bank holding company shall:

- have an appropriate license to conduct audit activities in the Kyrgyz Republic;

- be independent of a bank;

- have experience of auditing financial institutions in compliance with the international audit standards and international financial reporting standards;
- have staff and invited auditors. 
Staff and invited auditors of an audit organization shall have:
- qualifications in compliance with requirements of the Law of the Kyrgyz Republic “On Auditing Activities” and other normative legal acts;
- 3 years of experience of auditing financial institutions;
- have experience of auditing financial institutions in compliance with international audit standards and international financial reporting standards;
- knowledge in banking business.

Audit organizations or auditors involved in the bank audit or invited auditors involved in the bank audit shall not be considered independent of a bank (able to act independent of anyone influence on its assessments, conclusions and in the context excluding any external impact on the bank of the opinion of an external auditor), if for the last two years they have been:
- an insider, a member of the Board of Directors, the Board or the Audit Committee of a bank or any affiliate of this bank;
- a business partner (who has business relations) of any insider, of a member of the Board of Directors, the Board, a bank employee, a member of the Audit Committee of a bank or any affiliate of this bank;
- a shareholder of a bank or of any affiliate of the bank;
- a participant of any direct or indirect transaction or an agreement with a bank, with affiliate of the bank, with any affiliate of the bank insider who may have an unfavorable impact on objectivity and independence of the audit organization.

3. For the purpose of the present article, the term “audit” shall include requirements to an audit organization, its staff, invited auditors (individuals and legal entities), audit (at any stage) and audit opinion.

4. Audit of a bank or a bank holding company shall be conducted on consolidated basis and individually in each company. Audit of significant non-bank subsidiaries of the bank holding company or significant non-bank subsidiaries of the bank shall be conducted individually.

5. Audit of all persons included in an audited group shall be conducted by the same audit organization. The Bank of Kyrgyzstan can remove this requirement at the request of a bank and its affiliate(s) if the bank and its affiliate present evidence and the Bank of Kyrgyzstan accept the following circumstances:
- impossibility of conducting audit of all persons of the audited group by one audit organization due to high costs of the audit, which may result in negative implications for the bank financial status, or an absence of the audit organization which could complete the audit of each person of the audit group within the given time or conduct adequate audit of each person of the audited group;
- a bank and its affiliate take all actions to implement requirements indicated in item 1 of this paragraph;
- granting by the Bank of Kyrgyzstan of the permission to conduct audit of various persons of the audited group by various audit organizations shall not cause unfavorable impact on the bank audit results of any affiliate of the bank or the bank group, as a whole.

The Bank of Kyrgyzstan cannot remove requirement of audit of all persons included in the audit group, by one audit organization until all audit organizations, which will be supposedly conduct audit of various persons included in the audited group, agree in writing on providing access to work documents of each other and the audit report related to the audit of a bank and its affiliates, information exchange during the audit process and interaction between them with respect to the content of the audit opinions.

6. Audit of the bank annual financial statements (accounting) shall be completed within 90 days after the end of the financial year.

7. A copy of the audit report of a bank drafted in compliance with the requirements of this article and appropriately notarized shall be submitted to the Bank of Kyrgyzstan within 105 days after the end of the financial year of the bank.

8. Banks shall publish their annual financial reports in the national and local mass media after it has been confirmed by the audit organizations within 120 days after the end of the financial year following the procedure and format prescribed by the Bank of Kyrgyzstan.

Banks shall publish their financial reports in the national mass media quarterly within 30 days after the end of each quarter following the procedure and the format prescribed by the Bank of Kyrgyzstan.

9. Audit of banks and financial institutions licensed by the Bank of Kyrgyzstan shall meet international audit standards and minimal criteria (requirements) established by the Bank of Kyrgyzstan for audit of banks.

10. If a bank, its subsidiary, a bank holding company or any significant subsidiary of the bank holding company receives an audit opinion
with reservations or any other unfavorable opinion of the auditor, the Bank of Kyrgyzstan shall demand that the bank, its subsidiary or the bank holding company rectifies the shortfalls resulting in such opinion of the auditors. If the shortfalls are not rectified within a period of time prescribed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan has the right to take any actions prescribed by the banking legislation, including recall of a license, towards the bank management, members of the Board of Directors, members of the Audit Committee of the bank, controlling shareholders and/or to the bank itself.

11. The Board of Directors of a bank shall notify in writing the Bank of Kyrgyzstan about selection of the external auditor of the bank or the bank holding company within 3 working days.

12. A bank shall submit to the Bank of Kyrgyzstan a copy of its audit opinion, including financial statements and a letter to the management, within 10 working days after the audit organization handed them over to the bank or its affiliate legal entity. The Bank of Kyrgyzstan also has the right to study and receive copies of any documents related to any audit conducted in compliance with this article.

An audit organization shall submit to the bank copies of any documents related to any audit conducted in compliance with this article.

A bank shall provide information according to paragraph 2 of this paragraph upon demand of the Bank of Kyrgyzstan.

The Bank of Kyrgyzstan has the right to reject the audit opinion and demand repeat of the audit of a bank or its affiliate, if the audit is recognized by the authorized state regulator of audit activities as not complying with international audit standards and the Law of the Kyrgyz Republic "On Banks and Banking in the Kyrgyz Republic". The repeated audit will be funded by a bank or its affiliate.

13. An external auditor shall inform the bank management of the facts of legislation violations revealed by the audit which have direct and significant impact on the audited financial statements.

An external auditor of a bank shall inform the bank within 2 working days if it identifies the following:

1) about the decision not to conduct external audit of a bank in the process of the bank audit;

2) about exposure of a transaction and/or circumstances based on which the Bank of Kyrgyzstan can take measures in compliance with the Law of the Kyrgyz Republic "On conservation, liquidation and bankruptcy of banks";

3) about exposure of fraud or fraudulent scheme or transactions which can be characterized as money laundering transactions and/or terrorism financing;

4) about refusal of a bank to provide information to the Bank of Kyrgyzstan upon request of the external auditor;

5) about exposure of violations and shortfalls which may lead to significant losses of a bank or its affiliate in compliance with international audit standards;

6) in other cases provided by the legislation of the Kyrgyz Republic.

Appropriate documents shall be enclosed to the above information.

The bank management, having been informed by external auditors of the facts of legislation violations in this area or the refusal to conduct external audit, shall notify the Bank of Kyrgyzstan within 2 working days of information receipt. In case of failure of the bank management to inform the Bank of Kyrgyzstan in the prescribed time, an external auditor of a bank directly notifies the Bank of Kyrgyzstan of the exposed facts within 4 working days of the date of providing the information to the bank management.

14. The provision of information to the Bank of Kyrgyzstan by the audit organization conducting audit of banks and its affiliated legal entities is not a violation of provisions of the Law of the Kyrgyz Republic "On Auditing Activities".

(As amended by the Laws of the Kyrgyz Republic of March 26, 2003 #63, December 15, 2004 #192)

Article 59-3. Liquidation and Reorganization of a Bank

Liquidation and reorganization of banks, including on the grounds of bankruptcy, shall be implemented in compliance with the banking regulations upon approval of the Bank of Kyrgyzstan.

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

Article 60. Registration and Storage of Documents
A bank shall ensure rigorous recording and storage of documents used in accounting and drafting reports. The manager and the chief accountant of an entity shall be responsible for storage of records, balance audit trail and financial reports. The Bank of Kyrgyzstan shall establish the list of basic documents subject to storage and storage timing.

(As amended by the Law of the Kyrgyz Republic of December 18, 2003 #235)

See:
Resolution of the Board of the National Bank of the Kyrgyz Republic of August 27, 2004 #22/9 “On the List of Basic Documents produced in the activities of commercial banks and financial institutions licensed by the National Bank of the Kyrgyz Republic, showing the expiry date”.

Article 61. On enactment of the present Law

1. The present Law shall become effective from the date of its publication.

The Law is published in the newspaper “Erkin Too” of August 13, 1997 #65-66

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

Before adoption of the Law of the Kyrgyz Republic “On Credit Unions” the Bank of Kyrgyzstan shall have the right to issue licenses, establish licensing rules and regulations as well as issue the normative acts related to the activities of credit unions.

2-1. To establish that in the case of the legislation of the Kyrgyz Republic conflicts in the part related to the banking activity and bankruptcy (insolvency) of banks and other financial institutions, the provisions of the present Law and the legislation on banks shall be applied.

3. The following shall be deemed ineffective:

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

(As amended by the Law of the Kyrgyz Republic of March 26, 2003 #63)

President of the Kyrgyz Republic A. Akaev

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

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