THE LAW OF THE KYRGYZ REPUBLIC

On the Payment System of the Kyrgyz Republic

Adopted by the Jogorku Kenesh of the Kyrgyz Republic December 17, 2014

Chapter 1. General Provisions

Article 1. Relations Regulated by This Law

1. This Law sets the procedure and forms for execution of payments and settlements, providing remittances in the Kyrgyz Republic, defines the characteristics of payment systems, the order of the relations between the participants of payments and settlement, oversight over payment systems, and defines the authorities of the National Bank of the Kyrgyz Republic (hereinafter, the “Bank of Kyrgyzstan”) in the payment system of the Kyrgyz Republic.

2. Relations arising from the payments and settlement of transactions between entities of the Kyrgyz Republic and foreign countries, remittances between legal entities and individuals (international/cross-border payments and remittances), as well as the relations arising when making payments, settlements and remittances through the branches of postal services, regulates by this Law and other regulatory acts in the part that do not contradict this Law.

Article 2. Terms Used in This Law

Non-cash settlement is a form of currency circulation in which the cash flow occurs without cash by draw funds down from the settlement (current) account of the payer and accept them to the settlement (current) account of the recipient in accordance with the submitted payment documents. The settlement is the completion of the payment.

Home banking is a method of remote banking “at home” and providing retail services to customers by banks (individuals and legal entities) by connecting home or office terminals (personal computer, fixed location phones) to the bank's computer network.

Internet banking is a remote management by which customers can manage their bank accounts via the Internet. Payments made by Internet banking are carried out with using Internet public channels.

Interbank clearing system is a set of rules, procedures and methods by which the participants of the clearing system submit and exchange data, transfer payments or securities to other participants through the clearing center. The system can be based on the determination of bilateral or multilateral net positions of the participants.

Mobile banking is a remote management of a bank account through the messages sent by the customer to the bank from a mobile phone.

The operator of the payment system is a legal entity, resident or non-resident of the Kyrgyz Republic, responsible for the operation of the payment system and which has entered into an agreement with the participants to participate in the payment system, according to which the
operator and the participants undertake to carry out their activities within the framework of the payment system and in accordance with the rules of the system. Current management of the operator of the payment system is carried out by the executive body (collegial), accountable to the general meeting of its participants, in accordance with the legislation of the Kyrgyz Republic.

A payment is a fulfillment of a monetary obligation with cash or a process of non-cash transfer by the buyer.

A payment document is a certain form of a document, issued by a legal entity or an individual, based on which the payment is made.

A payment card is a payment instrument used in the settlements when buying goods and services, receiving cash in national and foreign currencies, making remittances, as well as for the settlements in the form of electronic money through the terminals, ATMs and other devices (peripherals).

A payment system is an interconnected system of technologies, procedures, rules, payment instruments and systems of remittances, ensuring currency circulation. Depending on the type of conducted payments the payment systems are divided into systems of large value payments and systems of retail payments.

A payment organization is a commercial organization implementing activity on rendering services to receive payments from individuals and legal entities for the benefit of third parties, service providers, in accordance with the contract between the payment institution and service providers and the agreement between the payment organization and bank signed in accordance with this Law and other regulatory acts.

A system of remittances is a type of the payment system where the provider receives funds from the population under the terms that these funds will be paid to the recipient.

A system of settlement with payment cards is a set of norms, rules, institutions, and software technical tools for organizing non-cash payments with using cards.

Electronic money is cash value, which is stored electronically on the software technical device (prepaid cards, virtual prepaid cards and electronic wallet are the instruments (carriers) of electronic money) and are accepted as payment for goods/services of the organization issuing electronic money and organizations of acceptors.

An electronic payment document is a kind of a payment document, prepared in electronic form, containing necessary information for the settlements and certified by an electronic digital signature.

Chapter 2. Payments and Settlements

Article 3. Organization of Non-Cash Settlements

1. Non-cash settlements in the Kyrgyz Republic are carried out by banks licensed to perform appropriate operations on accounts opened on the basis of the bank account agreements, bank deposit, unless otherwise provided by regulatory acts and stipulated by the form of settlement used.

2. The Bank may enter into an agreement (agency agreement) with non-financial institutions and non-bank financial institutions to provide services to the public on payments, settlements (including payments and settlements with using bank cards), remittances, distribution of electronic money in accordance with the regulatory acts.

3. The payment institution may:

1) render services for the provision of payments and settlements in favor of third parties, service providers, in the territory of the Kyrgyz Republic on the basis of the agency agreement with the service providers which defines the procedure for providing settlements by transfer of funds from the bank account of the payment institution to the bank accounts of service providers. An agency agreement between the payment institution and service providers may include effecting of the settlements on terms that the payment institution renders pre-payment services to the service provider by paying cash, making a transfer from a bank account, providing a bank guarantee and other ways to secure the fulfillment of the obligations by the payment institution to the service providers;

2) distribute electronic money in the Kyrgyz Republic only on the basis of the agency agreement with the bank. The bank is responsible for fulfilling the obligations by the agents.

4. Before rendering services for the receiving and making payments and settlements in favor of third parties, the operator of payment systems and the payment institution send written notice or obtain a certificate of the Bank of Kyrgyzstan in the manner and in accordance with
the requirements set by it.

The list of services for receiving and making payments and settlements in favor of the third parties, that may be rendered by the operators of payment systems and payment institutions operating on the basis of notice by the Bank of Kyrgyzstan, s is set by the Bank of Kyrgyzstan. The activities of payment institutions and payment system operators without a registration (notice) or certificate are prohibited.

5. The form of notice, certificate and the list of documents annexed to them, as well as the procedure for their consideration are determined by regulatory acts of the Bank of Kyrgyzstan.

Article 4. Procedure of Using the Settlement (Current) Accounts in the Non-Cash Settlements

1. The Banks I carry out operations on non-cash settlements with credit or debit transfers of money on bank accounts using the appropriate payment instruments.

2. The Bank enters into a written agreement of settlement (current) bank account with a legal entity/individual or individual entrepreneur in the event of he/she referring to the bank, and opens a bank settlement (current) account for him/her under the conditions specified by the bank for the opening of such accounts.

3. The Bank assigns a number to the settlement (current) account of the customer (account holder) that allows determining to whom it belongs in accordance with the requirements of the Bank of Kyrgyzstan.

4. The account holder (bank customer) has a right to dispose of funds in his/her account, either personally or through his/her authorized persons.

5. Non-cash payments are carried out by the bank on the basis of the order of the account holder or his/her authorized representative. The bank account agreement may provide for the certification of the rights to dispose of the funds in the account, electronic means of communication and other documents using unique handwritten signature, codes, passwords, and other means in them in order to confirm that order is given by an authorized person.

6. Methods, order and terms under which the paying customer orders the paying bank to transfer the funds are reflected in the agreement between them. If the payer is not a customer of the sending bank, the orders are presented in accordance with the requirements of the Bank of Kyrgyzstan.

7. The Bank accepts a payment document of the customer on the payment and settlement for the fulfillment on the date of its submission by the customer, and transfer the funds from the account on the customer's order not later than the date following the date when the bank receives the relevant payment document, or on the date specified by the customer in the payment document unless otherwise provided by regulatory acts or an agreement between the bank and the customer.

8. The Bank is entitled to refuse a customer in the execution of the order on non-cash payment and settlement in cases:

- signed agreement does not provide for the settlement in such form;
- account holder does not have sufficient funds if the agreement does not provide for the granting of loans to the customer by the bank;
- execution of the customer's order on payment and settlement is a violation of the banking legislation or the customer's account is seized in the manner stipulated by the legislation of the Kyrgyz Republic;
- form and content of payment documents do not meet the requirements set by regulatory acts of the Bank of Kyrgyzstan, or the payment document is not genuine;
- client has not submitted the documents necessary for the transactions and the implementation of his/her unique identification and as well when there is information about the customer's involvement in terrorist or extremist activity.

by regulatory acts of the Bank of Kyrgyzstan, as well as the agreement between the account holder and the bank.

After taking decision on refusal in the payment and settlement, the bank must notify the customer not later than the next working day after receiving the customer's order unless otherwise provided by regulatory acts of the Bank of Kyrgyzstan or the agreement between the bank and the customer.

9. Debiting without acceptance (without the consent of the account holder) of funds is carried out in case of enshrining such right in the
agreement between the account holder and the bank or by a court decision, as well as in other cases stipulated by the legislation of the Kyrgyz Republic.

10. Non-cash settlement without opening an account is made when the paying customer deposits money to the sending bank by a transfer to the specified account of the recipient. Such settlements should not be associated with entrepreneurial activity.

11. In case the bank receives money to the customer's address, who does not have an account in the bank, the money shall be issued by the bank in cash subject to identification of the customer.

12. Banks keep records on transactions without opening an account on each payment and customer in accordance with the requirements of the Bank of Kyrgyzstan.

Article 5. Money Transfers

1. Remittances in the Kyrgyz Republic are carried out by individuals and legal entities of the Kyrgyz Republic in national or foreign currencies through banks licensed and regulated by the Bank of Kyrgyzstan, as well as through post offices.

2. The bank can transfer money with opening a settlement (current) account and without opening an account with the use of specialized remittances systems (local, international systems) or through direct correspondent relations of banks (international/cross-border remittances).

3. Remittance without opening a bank account is carried out by the bank through accepting cash from the sender in national or foreign currency and further transferring it to the specified recipient in the Kyrgyz Republic or abroad through the remittances system.

4. The bank-participant of the remittance system accept funds from the sender and ensure the remittances in accordance with the formats and rules of the remittances system.

5. During the transfer of funds through a remittance system, the bank-participant of the remittance system informs the sender and/or recipient about the rules of remittance and provides necessary documents to make or receive remittance, verifies the identity of the sender and/or recipient, and controls accuracy of all necessary details.

6. The bank-participant of the remittance system informs the sender about the following:

   - amount of money that will be paid to the recipient as a result of remittance;
   - amount of commission fees of the participant required to be paid by the sender and/or recipient;
   - change rate of currency of transferred funds;
   - date and time when transferred money will be available for receipt;
   - place where transferred money will be available for receipt;

Article 6. Electronic Money

1. The issuer is carried out issue of electronic money in the form of electronic money instruments (carriers) through the exchange of cash or non-cash to electronic money. During the redemption of electronic money, the electronic money instruments reflect the amount of issuer's obligations to redeem electronic money to the bearer of electronic money.

2. The issuer of electronic money in the Kyrgyz Republic is a bank, which has issued electronic money and accepting an unconditional and irrevocable obligation to redeem electronic money to the holders presented electronic money for redemption. The issuer must have an additional license for the delivery of the payment services with electronic money. Issuers distributing electronic money on the territory of the Kyrgyz Republic are responsible for the safety and reliability of payments with electronic money.

3. Each electronic money instrument (carrier) is assigned a unique identification number. The unique identification number shall be used by the holder to obtain information about the movement and balance of electronic money on the instrument (carrier). The unique identification number of the instrument (carrier) is also used for blocking in the event of loss or larceny of the instrument (carrier).

4. The holder of electronic money is an individual or a legal entity that controls electronic money and uses electronic money in settlements for goods and services of acceptors. The holder of electronic money can purchase goods and services via electronic money payments and receive cash in exchange for electronic money in special devices for acceptance and service of electronic money instruments.
5. The issuer carries out the distribution of electronic money (sales and distribution) through the issuance of electronic money instruments (carriers) in exchange for cash or non-cash with the possibility of redemption. In accordance with the requirements of the Bank of Kyrgyzstan, the issuer may engage legal entities of distributors for distribution of electronic money based on the agency agreement.

6. When distributing electronic money, the issuer or distributor of electronic money must inform the customer about the rights and duties of the holder and issuer, the characteristics of distributed electronic money instruments (carriers) and fees for services rendered before receiving the prepayment for electronic money from the customer.

7. The issuer is obliged to redeem electronic money to the bearer of electronic money by exchanging it for cash or by non-cash transfer to the bank account of the bearer. Redemption of electronic money can be made both by the issuer and distributor of electronic money that has entered an agreement with the issuer.

8. Upon redemption of electronic money, the amount of funds issued shall correspond to the amount of electronic money, presented for redemption to the issuer or distributor. In this case, upon redemption of electronic money, the issuer and the distributor have the right to hold the amount of compensation from the amount of funds paid, if provided by the rules of the system and the agreements between the participants of the electronic money system.

9. Record of the movement of electronic money is carried out by the issuer through opening a settlement (current) account to record electronic money in the bank in accordance with the agreement for opening and service of accounts. The settlement (current) account to record electronic money is intended only to conduct transactions to credit the amount of funds equal to the total liabilities on all issued electronic money. Debiting funds from this account is limited and carried out only to the accounts of organizations (acceptors), accepting payments for services/goods with electronic money from their holders.

10. The use of electronic money in the settlements shall be carried out by the holder of electronic money transferring to business entity or person (acceptor), which makes the exchange of its products/services for electronic money and has the special equipment (software and hardware) for receiving and accounting payments using electronic money. The relationships between the issuer and the acceptor, including the procedure for presenting electronic money to the issuer by the acceptor, are carried out in accordance with the rules of the system and set in the agreements.

11. Software and technical tools used in the system of settlements with electronic money must comply with regulatory of the Bank of Kyrgyzstan ensuring information security.

Chapter 3. Types of Non-Cash Settlements

Article 7. Payment Instruments and Documents

1. A payment instrument shall provide data (information) transmission about the payment for the payment and settlement and determine the form of non-cash settlements.

2. A payment document issued in the form of a document on a paper carrier or in the form of an electronic payment document shall be:
- order of the payer (customer or the bank) to debit the funds from his/her account and transfer them to the account of the recipient of the funds;
- order of the recipient of the funds (claimant) to debit the payer’s account and transfer funds to the account specified by the recipient (by the claimant) only with the consent of the account holder (payer) or on the basis of the agreement between the bank and its customers;
- announcement on the deposit of cash or the application for the issue of funds.

3. The following non-cash forms of settlements are used during implementation of non-cash settlement:
- order;
- request;
- credit;
- order for direct debit (pre-authorized);
- order;
Article 8. Preparing Paper Payment Documents

1. A paper payment document is prepared on a printed form determined by regulatory acts, and shall contain:
   - the data and details in accordance with the requirements of the Bank of Kyrgyzstan for the settlement;
   - signatures of authorized persons of the account holder and the impression of his/her seal in accordance with samples of signatures and the impression of the seal.

2. When making payments, the bank is entitled to demand other information in the payment documents that is not listed in Part 1 of this Article, only if the availability of it is directly stipulated by regulatory acts of the Bank of Kyrgyzstan and the agreement between the customer and the bank.

3. When the bank returns paper payment documents, which were accepted but not fulfilled for some reason or other, referred to in paragraph 1 of this Article, a note shall be made on the back of the first copy indicating the reason for the return, date of the return, the stamp of the bank and the signatures of the authorized bank employees.

Article 9. Preparing Electronic Payment Documents

1. An electronic payment is a payment, conducted by an electronic payment document prepared in accordance with the format set by the Bank of Kyrgyzstan.

2. An electronic payment document is accepted for processing only when it is compiled with the use of means of information security (electronic digital signature, other equivalent means of protection), confirming the legal registration of an electronic payment document by the sender and guaranteeing immutability of an electronic payment document in the process of its transmission and processing.

3. The use of the electronic digital signature when preparing an electronic payment document in the payment system of the Kyrgyz Republic shall be set by the regulatory acts and agreements between the participants of the payment system.

4. Electronic payments shall be made by an electronic transfer of electronic payment payments through the communication channels on the basis of an agreement or contract between the sender and the recipient. The telephone lines, telegraph and telex channels, radio and satellite communication channels can be used as communication channels, as well as owned wire and cable communication channels of institutions.

5. Electronic payments can be made between customers and banks, between banks, as well as through other specialized institutions providing services for electronic payments in accordance with the regulatory acts. An individual or a legal entity that is a participant of the electronic payment system can be a sender and/or recipient.

6. Presenting of a payment document electronically is carried out on the basis of the contract (agreement) on the use of formats of electronic payment documents, electronic systems for the exchange of payment documents and use of system of software and cryptographic protection and digital signature or other equivalent means of protection between the customer and the bank, or between banks and operators of payment systems, unless otherwise provided by regulatory acts.

7. Conditions of use and transfer of electronic payment documents is set in agreements or contracts made in writing, and contain the following main elements:
   - the type of settlement documents used in the settlements;
   - rights and responsibilities of the parties, including the responsibility to protect electronic payments (security system);
   - liability of the parties;
   - order and procedure of sending and receiving electronic payments;
   - procedures of authentication of electronic payment documents;
   - sum amounts of transferred funds, the transfer of which can be carried out without requiring authentication of presented documents;
to reduce the risk of unauthorized access to the information system;
the fee for the transaction;
the procedures for resolving disputes.

8. Cryptographic systems of protection as well as other security measures, in relation of which the minimum security requirements for electronic payment documents set by regulatory acts are met, are used for the transmission of electronic payment documents. The participants of electronic payments may set additional means and methods related to the protection of electronic payments besides the set minimum requirements.

Article 10. The Legal Status of an Electronic Payment Document

An electronic payment document, drawn in accordance with the requirements for the format and procedures for authentication certified by an electronic digital signature or other equivalent means of protection, has a legal status equal to a legal status of paper payment documents certified in accordance with the presented requirements and must be accepted as evidence in legal and other disputes.

Article 11. Payment Order

1. A payment order is used by individuals and legal entity in making of all types of payments in national currency in the Kyrgyz Republic. When making non-cash settlements using payment orders, the customer provides a servicing bank with an order for the transfer of a certain amount of money from its account to the recipient's account opened in the same or another bank.

2. A payment order is executed by the bank in accordance with the date specified in the document or within the period stipulated in the contract of a bank account.

Article 12. An Order for Direct Debit

1. Non-cash settlements by pre-authorized direct debit are used by customers of banks to provide regular payments (payments on public utility bills) and/or fixed sum payments (premiums, mortgage). The rights and obligations of the customers and their bank in settlements by pre-authorized direct debit arise when the payer and his/her bank sign a contract.

2. Payments by pre-authorized direct debit shall be carried out on the basis of the contract between the customer and the bank, pursuant to which the customer gives prior consent to charge-off funds from his/her account on the basis of presented orders of the recipient to the bank account of the customer to pay for goods supplied, works executed or services rendered with enclosure the relevant documents to the above contract.

3. The payer shall provide the recipient (trade and services company, which provides regular services to the public) with a written order/consent to initiate a direct debit order of the settlement account of the payer in the paying bank by the recipient through its bank.

4. To secure payments on pre-authorized direct debit orders and other transactions, the customer must maintain a sufficient balance of funds in its bank account.

5. The payer's bank shall be entitled to the return of a direct debit order in the absence of sufficient funds in the account of the payer to ensure the payment of the presented sum, cancellation of pre-authorization by the customer or for other reasons specified in the contract with the customer.

Article 13. Settlement with Bank Payment Cards

1. A payment card is a means of access to a bank account so that the holder is able to manage funds in the bank account opened with the issuing bank in accordance with the agreement between the card holder and the issuer.
2. Cash withdrawal from a bank account using a payment card shall be carried out by the card holder through the cashier of the bank and peripheral devices in accordance with the rules of systems and the contract between the card holder and the issuing bank.

3. Payments and settlements with payment cards are carried out by the card holder within:
   - balance of his/her own funds available in the bank account, or a set limit of funds as agreed between the bank and the customer (a debit card or a debit card with deferred payment);
   - credit given by the issuer in accordance with the bank account agreement in case of insufficient or no funds in the bank account (debit card with an overdraft facility);
   - line (credit card).

4. Settlements with credit cards for goods and services in the Kyrgyz Republic are carried out in national currency and can be provided through the national system, local and international payment systems.

5. Issuance of payment cards (emission) and/or ownership and acquiring of a network of peripherals (ATMs, terminals and others) on payments accepting with using bank payment cards on the basis of agreements with trade and service companies can be carried out only by banks licensed by the Bank of Kyrgyzstan for conducting banking transactions.

6. Cards are issued to individuals and legal entities after making a contract or any other bank document, in accordance with standard terms of service, with the account holder in accordance with the internal rules of the issuer. Reflection of transactions made with payment cards are carried out on the bank account of the card holder.

7. The participants of settlement systems of bank payment cards ensure mutual settlements for payments using bank payment cards in accordance with the rules of systems and contracts between the participants.

**Article 14. The Transfer of Payment Documents by Other Electronic Means**

1. The transfer of orders from the customer to the bank to conduct transactions on his/her account can be performed through Internet banking, home banking, mobile banking in real time on the basis of an agreement between the bank and the customer. The agreement must define the conditions for the following transactions on bank account by the customer:
   - requesting and receiving information on the balance/receipts on account;
   - statement on last transactions on account;
   - transfers between accounts (on accounts in the same bank and on accounts in different banks);
   - withdrawals from the account or cash deposit into the account through the bank agent network for the collection and delivery of cash (trading and services companies, non-bank organizations);
   - changing a personal identification code;
   - transactions that do not contradict the regulatory acts and regulations of the system.

2. Requirements for the contract between the bank and the customer for the provision of services through Internet banking, home banking, mobile banking and other electronic means shall be stipulate the following:
   - compulsory registration of the customer in the bank system and the identification of the customer on related details ("customer – customer’s account – customer’s phone number" in the bank’s system of mobile banking);
   - ensuring transmission of the customer account number in message formats in communication between the customer and the bank through the exchange of messages using a mobile phone;
   - ensuring security and confidentiality of transmitted financial messages, including multi-level protection by assigning a personal identification code of the customer, matching codes to process different kinds of messages and verification codes at each stage by the types of transactions; conditions.

3. The use of Internet banking, home banking, mobile banking and other electronic means shall be used to manage accounts opened in banks. Provision of mobile banking by a mobile operator is carried out on the basis of the agency agreement between the bank and the service provider.
4. Issues related to security, reliability and reduced risks of fraud when making payments using Internet banking, home banking, mobile banking and other electronic means shall be within the scope of oversight and control over payment systems.

Chapter 4. Final Settlements and Responsibility of the Parties

Article 15. Final Payments and Settlements

1. Settlement made using cash shall become final when the recipient or a person authorized by the recipient receives funds.
2. Non-cash settlement shall be irrevocable for the paying customer as soon as the confirmation of acceptance of the payment document for execution by the payer's bank is received, and shall be final funds from the payer's account.
3. Non-cash settlement shall become final for the recipient as soon as funds are received by the recipient bank on the recipient's account, or after funds are issued from other (internal) bank account to the recipient customer who does not have an account in this bank.
4. The transfer of funds through the remittance systems shall be final:
   - for the sender – as of receiving a confirmation that an order for the remittance is accepted for execution;
   - for the recipient – as of he/she receives cash or funds are transferred to a bank account.
5. A payment using bank payment cards shall be deemed:
   - for the card holder: irrevocable – as soon as confirmation on the operation (transaction) executed in a peripheral device or a bank is received, and final – as soon as funds are withdrawn from the account of the card holder in the issuing bank;
   - for the issuing bank: irrevocable – as soon as funds are withdrawn from the correspondent (current) account of the issuer for the transfer to the acquiring bank, and final – as soon as funds are credited to the correspondent (current) account of the acquiring bank;
   - for the acquiring bank: final – as soon as funds are credited to the bank account of the recipient;
   - for the recipient: final – as soon as funds are credited by the recipient’s bank on the account of the recipient.
6. Final settlements of all interbank payments in national currency are carried out only through the correspondent (current) account of the participants of the payment system opened in accordance with requirements of the Bank of Kyrgyzstan. Final settlement shall be unconditional and irrevocable.
7. In the event that payment is deemed false or fraudulent after the final settlement, the rules of the system provide for a separate analysis of erroneous payments and the return of funds. Terms of settlement of such disputes on such transactions shall be set in the contract between the customer and the bank, as well as in the rules and procedures of the relevant system.

Article 16. Sharing of Responsibilities Between the Participants of Payments and Settlement

1. The customer shall be responsible for the compliance with the rules on the use of payment instruments and the order of payment documents preparation in accordance with the regulatory acts.
2. When making payments through interbank payment systems, cross-border payments, the bank is responsible for prompt debiting and crediting of funds on sender and recipient customer accounts that are open in this bank. Terms, order and responsibility of the bank is defined by regulatory acts and the contract between the bank and the customer.
3. When making payments through the interbank payment systems, the bank shall be liable for the fulfillment of the payment as soon as the confirmation of a payment accepted for processing is sent to the customer and debiting the customer’s account until the payment is sent to the interbank payment system operator.
4. The interbank payment system operator shall be responsible, as soon as the confirmation of a payment accepted for processing is sent to the bank of the recipient and until the final settlement is carried out on the correspondent accounts of the payment system participants.
5. Recipient bank shall be responsible for the payment as soon as the funds are credited to the correspondent (current) account of the recipient bank and to the moment the funds received are credited to the account of the recipient customer.
6. Responsibility for the provision of mobile banking services by the provider shall be assigned to the bank.

7. The order of payments, responsibility of the participants in making payments, as well as safety regulations using home banking, Internet-banking and mobile banking are defined by contracts between the bank, the customer and the mobile operator.

8. Responsibility of the participants in making payments in other types of payment systems, that are not defined by this Law, is established in accordance with the rules and conditions of the contracts and agreements between the participants in accordance with the regulatory acts.

9. If the payment is incomplete, then the participant who failed to fulfill the order on payment received from the previous participant or fulfilled it improperly shall be responsible in accordance with the agreements between the parties. The bank of the sender shall, at the request of the customer, provide information about the participant who has not performed or improperly performed an order for the payment, as well as the reason for non-completion of the payment, and at the request of the customer take steps to complete the payment or repayment of money to the sender. The sender shall not be liable to the recipient, if the payment has not been completed by the fault of the recipient.

10. Responsibility of banks and customers for timely payments and settlements are defined by the regulatory acts and the contracts between them.

11. When using electronic payments, the participants of electronic payments, in accordance with the contractual terms and regulatory acts, shall:

   - ensure compliance with banking secrecy;
   - provide the necessary information to the court, investigating and fiscal authorities in accordance with the legislation of the Kyrgyz Republic; and
   - be responsible for the failure or improper performance of the established security and privacy measures.

Chapter 5. The Payment System of the Kyrgyz Republic

Article 17. Types and Categories of the Payment Systems

1. The payment system of the Kyrgyz Republic (the national payment system) is a set of payment systems operating in the territory of the Kyrgyz Republic for the implementation of the transfer of funds which may be operated by residents and non-residents of the Kyrgyz Republic.

2. Interbank payment systems are designed for settlements between banks and between banks' customers whose accounts are opened in different banks.

3. Interbank payment systems are designed to perform settlements between customers whose accounts are opened in the same bank. Settlements through interbank payment systems are provided in orders as specified in the contract between the customer and the bank.

4. A payment system, in which payments and settlements of financial obligations of the participants of the financial markets (national currency, foreign exchange markets and capital and securities markets), is a system of large value payments as well as transfers related to the use of the monetary policy instruments. The system shall provide the settlements of the system participants for a small number of large value payments.

5. A payment system, in which payments are made on financial obligations of individuals and legal entities who are not related to their participation in the work of national financial markets, is a system of retail payments. A retail payment system is designed for a large number of payments of small amounts (retail payments) with the final settlement on the basis of counting of multilateral or bilateral positions (clearing) of the participants of the systems.

6. Correspondent banking is a way of carrying out the international (cross-border) payments and the provision of other services to users on the basis of agreements (the agency agreement) for correspondent accounts between financial and credit institutions. International (cross-border) remittances can be carried out by banks through specialized remittance systems used in banking practice.

7. Depending on the amount of ongoing payments in the system and the degree of impact on the financial stability, payment systems shall be divided into systemically important payment systems, important payment systems and other payment systems. Categories of systems are defined by the Bank of Kyrgyzstan.

8. Payment systems operating in the Kyrgyz Republic and systems ensuring continuous operation of the national payment system shall
be subject to oversight and control as part of the national payment system. The authority of oversight over the national payment system is the 
Bank of Kyrgyzstan.

**Article 18. The Large Value Payments System**

1. The large value payments system is designed for large value and urgent payments, quick and final settlements of transactions in the 
interbank financial markets (national currency, foreign exchange markets and capital and securities markets), as well as of operations conducted 
with the use of the monetary policy instruments on correspondent accounts of the system participants, opened in the Bank of Kyrgyzstan.

2. The large value payments system shall provide an immediate and final settlement for each individual payment by debiting and 
crediting of funds on correspondent (current) accounts of the system participants opened in the Bank of Kyrgyzstan. Banks are responsible for 
maintaining a required level of liquidity in the correspondent (current) account at the Bank of Kyrgyzstan for the timely and secure final 
settlements.

3. In order to reduce the time between sending the payment and final settlement, the system shall provide mechanisms for the system 
participants for effective management of liquidity in the settlements.

4. In order to reduce the risks related to the urgent and large value payments, the system shall provide for risk management 
mechanisms, such as:

   - making payments only to the extent of the credit balance on the correspondent account of a participant of the payment system with the Bank of 
     Kyrgyzstan;
   - the order of priority of payments and queue management of payments by the participants of the system;
   - liquidity management;

5. The order, rules and procedures for the management of financial risks in the large-value payments system shall be established by 
regulatory acts of the Bank of Kyrgyzstan.

**Article 19. A Retail Payment System Based on the Clearing**

1. An interbank clearing system is a form of a retail payment system and is designed for retail and regular payments of banks and their 
customers that do not require immediate final settlement. Payments and settlements in the system are based on the offset obligations of the 
participants of the system (settlement of multilateral, bilateral net positions). The system provides participants with the reduction in the 
necessary level of liquidity for the settlement in case of increased number of retail payments.

2. Rules and procedures of payments of the participants through the clearing system shall be established by regulatory acts of the Bank 
of Kyrgyzstan, as well as by bilateral and multilateral contracts and agreements.

3. In order to reduce risks in the interbank clearing system related to the retail payments the system provides for risk management 
mechanisms, including the execution of the following:

   - clearing system participants must create liquid reserves sufficient to cover the largest of possible liabilities on their own operations;
   - the clearing system must have clearly articulated procedures for reducing the credit risk and liquidity risk, as well as methods to manage such risks;
   - the Bank of Kyrgyzstan may grant loans to participants of the clearing system to maintain the level of their liquidity, but shall not the guarantor of their 
     granting. Participants shall independently evaluate the potential financial risks and avoid making risky transactions in the clearing system;
   - the Bank of Kyrgyzstan may set the maximum amount of a retail payment effected through the interbank clearing system.

**Article 20. The System of Retail Payments on Settlements with Bank Payment Cards**

1. The national system of settlement using payment cards is an interbank system and ensures payments and settlements using
payment cards through a common payment area, which combines all or most banks of the Kyrgyz Republic. The final settlement of the participants of the national system of settlements with payment cards is carried out on the correspondent accounts of participants opened in the Bank of Kyrgyzstan, as well as in accordance with the agreements between the participants of the system. National payment cards shall be accepted for service in the infrastructure of the local and international payment system in the Kyrgyz Republic, or any commercial bank in the Kyrgyz Republic.

2. The local payment system of settlements with using bank cards is intended for the settlements with using local cards issued by one (one-issue) or more (multi-issue) issuers in the Kyrgyz Republic.

3. The international payment system of settlements with using bank payment cards is intended for settlements with using international cards issued and serviced in accordance with the rules of international payment systems and the requirements of its operators (non-residents of the Kyrgyz Republic) within regulatory acts. The system sets certain rules for mutual settlements in national and foreign currencies on payments with using cards between the participants of the system.

4. Systems of settlements with using credit cards (national, local, international payment systems) shall function in the Kyrgyz Republic in accordance with requirements of the Bank of Kyrgyzstan. In selecting and connecting to any system of settlements with using payment cards, the bank is responsible for compliance with the requirements of regulatory acts.

5. Settlements with using the cards on interbank systems are regulated by the internal regulatory acts of banks, developed in accordance with the rules of the system and the requirements of the Bank of Kyrgyzstan.

6. In order to limit the risks and protect consumer rights, the system shall provide for risk management tools, such as:
- Existence and availability of procedures and rules on the use of cards in the settlements, standard contract terms for distribution of responsibilities, rights and obligations of participants of the system;
- Rules and procedures to ensure the safety of system of settlements with using cards to reduce fraud risks and unauthorized access to the system.

Article 21. The Money Transfer System

1. The money transfer system includes remittances within the country and across borders. The system shall provide the participants with accounting on each remittance with the identification of senders and recipients of remittances.

2. Transfers of funds with using remittance systems (remittances) are carried out by banks in accordance with the rules of systems. The remittances with using remittance systems can be carried out within the Kyrgyz Republic (local) and across the state border of the Kyrgyz Republic (international, cross-border).

3. The bank may enter into an agreement (agency agreement) with non-bank financial institutions and non-financial institutions providing services to the population on remittances via remittance systems. The bank is responsible for the fulfillment of obligations on remittances.

Article 22. Electronic Money Settlement System

1. The order of payments with using electronic money, that is not defined by this Law, is established in accordance with the contract terms between the participants of these forms of settlements and the rules of the system.

2. The system of settlements with electronic money is a combination of bank and other institutions, rules and procedures ensuring the handling of electronic money. The system of settlements with electronic money shall ensure:
- Safety of transactions with electronic money;
- Stable regulatory framework presented as rules and procedures regulating the relationships between the participants of the system;
- Effectiveness of using electronic money by the participants of the system (affordable and easy-to-use);
- Minimization of risks in the system.

Article 23. Participants of Payment Systems
1. The participants of the payment system are the commercial banks and other financial and credit institutions, non-financial and credit institutions and other organizations that provide payment services to the population in the territory of the Kyrgyz Republic on the basis of an agreement with the operator of the payment system. The participant of the payment system may also be a payment system operator in case the operation of the payment system is ensured by this participant.

2. The participant is identified in the payment system based on a unique identification code of the participant assigned by the operator and upon compliance with the criteria of participation in the payment system set by the rules of the system operator.

3. The participant develops internal regulatory acts to participate in the system and ensure business continuity.

**Article 24. Operators**

1. Remittance system operator is a legal entity, resident or non-resident of the Kyrgyz Republic, a provider of remittance services with the appropriate permits authorized by the financial oversight body of the country of origin and maintaining operation of remittance system. In order to develop infrastructure and points of access to the remittance system, the operator shall sign a contract with the participants for the participation in the remittance system.

2. The operator of the system of settlements with electronic money is a bank licensed by the Bank of Kyrgyzstan to conduct such activities. In order to develop infrastructure and points of access to the system of electronic money, the operator signs a contract with the participant agents (distributors spreading electronic money, trading companies and companies rendering services for receiving electronic money to pay for goods and services).

3. The operator of the payment system develops regulatory documents regulating the work of the payment system, standard contracts for participation in the system and provision of access to the system for the participants.

4. The operator of the payment system shall have regulatory documents to ensure information security and safety of the physical infrastructure, as well as business continuity.

5. The operator of the payment system shall have a tariff policy ensuring open and fair access to the system for the participants.

6. The operators of the payment systems publish general financial reporting on annual basis, provide the Bank of the Kyrgyzstan with monthly periodic reports as well as information on internal control and audit in accordance with the legislation of the Kyrgyz Republic.

7. The operators of the payment systems provide the bodies of tax administration with appropriate information (data) in order stipulated by the tax legislation of the Kyrgyz Republic.

**Article 25. System Users**

1. The user of the payment system is a legal entity or an individual using payment services of the participant of the payment system or the remittances system for settlements and remittances in economic or other activity, to whom and on behalf of which the transfer of funds is carried out.

2. Users have the right to choose the means and methods of payments and settlements.

**Article 6. The Functions and Tasks of the National Bank of the Kyrgyz Republic in the Payment System of the Kyrgyz Republic**

**Article 26. Development of regulatory acts**

1. In order to ensure the efficiency, reliability and safety of the national payment system of the Kyrgyz Republic, the Bank of Kyrgyzstan is carried out regulation of the payment systems activity in the Kyrgyz Republic:
s permissions (certificates) and maintains a register of permissions (certificates) for the activities of operators of payment systems and payment institutions engaged in providing services for receiving and making payments and settlement in favor of third parties, as well as for receiving, processing and delivery of financial information (processing) of payments and settlements of third parties;

regulates the execution of interbank transactions;

uses regulation and supervision of the activities of operators of payment systems, payment institutions and other participants of payment systems;

performs other functions, powers and rights in accordance with the regulatory acts of the Kyrgyz Republic.

2. The Bank of Kyrgyzstan, in order to carry out the functions to regulate the activities of operators of payment systems and participants of payment systems, is able to take the following measures:

- requirements for the operators and participants of payment systems;
- limits on the maximum/minimum amount of payments effected through the payment system, depending on the category of the payment system. The method of calculating the limits is defined by the Bank of Kyrgyzstan;
- requirements in the framework of antimonopoly regulation for the protection of the rights of consumers and the protection of competition in the market of payment services;
- requirements for information security, reliability, continuity of operation of the payment system.

3. The Bank of Kyrgyzstan develops regulatory acts for regulation and oversight over the national payment system of the Kyrgyz Republic, including setting of requirements for securities settlement systems and their interaction with the payment systems during the final settlements of securities transactions.

4. The Bank of Kyrgyzstan harmonizes the drafts of regulatory acts on payment systems regulation with participants and operators of these systems.

5. The requirements set by the Bank of Kyrgyzstan in the regulatory acts on matters within its competence under this Law shall be binding on all participants, payment system operators, legal entities as well as their customers and the executive agencies.

Article 27. Relations of the Bank of Kyrgyzstan with the Financial Sector

1. Under the powers specified by the laws of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”, “On banks and banking activities in the Kyrgyz Republic”, the Bank of Kyrgyzstan provides assistance to commercial banks and operators of payment systems in the development of infrastructure on receiving payments and settlements.

2. The Bank of Kyrgyzstan determines the acceptability of technologies of clearing and settlement systems used in the country (with the exception of securities clearing technology).

3. In order to provide an efficient, reliable and safe functioning of the national payment system, the Bank of Kyrgyzstan has the right to organize interbank communications network for data transmission (electronic payment documents, other financial and non-financial messages) and to provide services based on contracts with the operators and participants in payment systems.

4. The Bank of Kyrgyzstan is the certification center for the authentication of electronic digital signatures in interbank electronic payment documents for banks and other financial institutions that have a license (permission) of the Bank of Kyrgyzstan.

5. In order to organize and provide effective ways of payment and settlement of transactions between entities of the Kyrgyz Republic and other countries, the Bank of Kyrgyzstan can provide commercial banks with technical means for the centralized (collective) transfer of cross-border payments with the involvement of banks of the Kyrgyz Republic.

6. The Bank of Kyrgyzstan shall have the right to transfer or sell the payment system, the operator of which it was, based on the analysis and evaluation of risks in this payment system and their impact on financial stability, subject to determination of requirements for the system operator.

Article 28. Relations of the Bank of Kyrgyzstan with the Public Sector
The Bank of Kyrgyzstan has the right to develop national programs for the development of the national payment system of the Kyrgyz Republic and ensure their implementation in cooperation with the ministries, administrative agencies and other state bodies.

Article 29. Relations of the Bank of Kyrgyzstan with Central Banks and International Financial Institutions

1. In cases stipulated by regulatory acts of the Kyrgyz Republic and international treaties and agreements in force in accordance with the law, a member of which is the Kyrgyz Republic, the Bank of Kyrgyzstan presents the interests of the country related to the national payment system and integration with international payment systems on international meetings, conferences and organizations.

2. In accordance with the powers granted, the Bank of Kyrgyzstan may carry out harmonization and coordination of work with other central banks, the International Monetary Fund and other international financial organizations on behalf of the Kyrgyz Republic on issues related to the national payment system and international payment systems.

3. The Bank of Kyrgyzstan may participate in the activities of any organization within the territory of the Kyrgyz Republic and abroad, which is engaged in the development of cooperation on the integration of national payment systems, including between the central banks of foreign countries.

Article 30. Services for Interbank Payments and Settlements

1. The Bank of Kyrgyzstan is the operator of the settlements system for large value payments and ensure the final settlements of interbank payments.

3. In order to ensure the efficient operation of the settlements system on time and large value payments and timeliness of payments processing established by regulatory acts, the Bank of Kyrgyzstan may:
   - software for access to the system;
   - security requirements (information, technical);
   - rates for services;
   - requirements for interaction of the settlements system on time and large value payments with other interbank systems for the final settlements;
   - requirements for the trading systems in order to ensure the final settlements of transactions in financial markets.

Article 31. The Procedure and Principles of Oversight over the Payment System of the Kyrgyz Republic

1. The Bank of Kyrgyzstan is the body of oversight over the payment system of the Kyrgyz Republic, and continuously monitors the operation of payment systems, activities of the operators and participants of the payment systems in order to maintain the reliability and safety of the payment system of the Kyrgyz Republic, a stable financial system, support and protect the interests of consumers of payment services, comply with the legislation. Oversight over the payment system of the Kyrgyz Republic by the Bank of Kyrgyzstan is aimed at preserving and enhancing the effectiveness of all types of payment systems operating in the Kyrgyz Republic.

2. The Bank of Kyrgyzstan develops and approves a policy of oversight over the payment system of the Kyrgyz Republic, where it defines:
   - significance criteria and evaluation of payment systems;
   - standards to be met by payment systems, both organizationally and functionally;
   - extent of the Bank of Kyrgyzstan's oversight over the payment system of the Kyrgyz Republic.

3. To achieve the goal of oversight over the payment system, the Bank of Kyrgyzstan establishes the procedure and monitors the functioning of the payment system of the Kyrgyz Republic, evaluates qualitative and quantitative characteristics of operating payment systems for compliance with the standards and requirements of the Bank of Kyrgyzstan, and applies sanctions to the operators and participants of individual payment systems in order to encourage their activities for improvement of their own payment system.
4. To achieve the goals of oversight, the Bank of Kyrgyzstan takes measures for the maintenance of adequate resources, including qualified personnel, appropriate organizational structure (division) of the Bank of Kyrgyzstan, which is responsible for the oversight over the payment system of the Kyrgyz Republic allowing the effective use of these resources, methods and instruments of oversight over the payment system of the Kyrgyz Republic. The Bank of Kyrgyzstan organizes the performance of its oversight responsibilities over the payment system of the Kyrgyz Republic in the manner consistent with its other objectives in regard to the payment systems.

5. In oversight over the payment system of the Kyrgyz Republic, the Bank of Kyrgyzstan shall impose the same requirements on all payment systems and shall not create a competitive advantage for the payment systems operated by the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shares the powers to oversee and manage its own payment systems among the different divisions of the Bank of Kyrgyzstan.

6. In order to carry out its functions in relation to oversight over the payment system of the Kyrgyz Republic and the regulation of operators and participants of payment systems that have permission to perform this activity, the Bank of Kyrgyzstan has the right to:

- set prudential regulations, issue directives, guidelines and recommendations in order to carry out the functions of regulation and oversight, as well as the order of their implementation by establishing appropriate rules and regulations in accordance with the regulatory acts based on international standards for payment systems;
- in on-site inspection of financial institutions in their activities as operators of payment systems conducted by a banking oversight authority or commission such inspections to independent auditors or audit firms;
- in receive information and reports for the effective implementation of oversight over the payment system of the Kyrgyz Republic and demand an explanation for the information provided;
- to take measures to improve the payment system, suspend or revoke the certificate to function as the operator of the payment system or apply the measures and sanctions provided for by the regulatory acts in order to prevent systemic risk or unfair practices.

Information from operators and participants of payment systems licensed by the Bank of Kyrgyzstan on specific operations can not be disclosed without their consent, except in cases stipulated by regulatory acts.

7. The Bank of Kyrgyzstan shall initiate changes in a separate payment system to improve its effectiveness and safety. In case of fails the measures to improve the payment systems in time, set by the Bank of Kyrgyzstan, as well as in case of the detection of non-compliance with the standards and requirements by the operator or the participant of the payment systems, or violations of regulatory acts, the Bank of Kyrgyzstan may apply measures under regulatory acts.

8. The Bank of Kyrgyzstan, taking action against operators and participants of payment systems, shall be guided by the need to maintain standards of payment systems and the stability of the financial system of the Kyrgyz Republic in order to protect the interests of consumers of payment services.

9. The Bank of Kyrgyzstan shall not be responsible for any losses incurred as a result of the sanctions provided for in this Law.

10. The Bank of Kyrgyzstan cooperates as necessary with the relevant public executive authorities in the specified area, supervisory authorities of other countries and international financial institutions in order to enhance the effectiveness of oversight activities in respect of the international payment systems, the participants of which are located in the Kyrgyz Republic.

11. The Bank of Kyrgyzstan may cooperate with foreign authorities for oversight over payment systems on the principles of reciprocity to harmonize standards, principles and methods of cross-border payments on the principles of reciprocity with respect to oversight over the payment system of the Kyrgyz Republic. The Bank of Kyrgyzstan may exchange information on any payment system, operating in both the jurisdictions, with foreign oversight authorities, subject to the compliance with confidentiality of information by the latter.

12. Procedures of the Bank of Kyrgyzstan on the oversight over the payment system of the Kyrgyz Republic is inspected by external auditors, international financial organizations within the Financial Sector Assessment Program, in accordance with the principle of independence of the oversight assessment.

13. The Bank of Kyrgyzstan publishes information on the effectiveness of oversight over the payment system in regular analytical reports on the payment system of the Kyrgyz Republic.

Chapter 7. Final Provisions

Article 32. Final Provisions
1. The participants and operators of payment systems operate in accordance with the regulatory acts to counter the financing of terrorism (extremism) and the legalization (laundring) of proceeds from crime, and shall ensure that the control system includes senders, recipients, and diligence on the list of individuals and companies in respect of whom there is evidence of involvement in terrorist or extremist activities (financing of terrorism or extremism).

2. In case the operator of the payment system is not a resident of the Kyrgyz Republic, the resident bank of the Kyrgyz Republic shall ensure that the operator has the appropriate permits of the authorized body of the country of origin (license, certificate) and the rules of the system meet the requirements of the Bank of Kyrgyzstan before making a decision to join the international payment system.

3. Recovery of any penalties and fines within the interaction between the participants of the payment system, as well as indemnification, is a right and not an obligation, and is implemented by the parties at their discretion in accordance with the signed agreements.

4. The Bank of Kyrgyzstan organizes the performance of its responsibilities for oversight over the payment system in the manner that is compatible with its other objectives in regard to payment systems. The Bank of Kyrgyzstan facilitates the timely disclosure of the general principles of policy, including the policy for risk management in the payment system of the Kyrgyz Republic, which affect the reliability of systemically important payment systems.

Article 33. The Entry into Force of This Law

1. This Law takes effect upon expiry of one month from the date of official publication, excluding requirements of Article 20 in relation to obligatory acceptance of national payment cards to use in the infrastructure of local and international payment system in the Kyrgyz Republic or any commercial bank in the territory of the Kyrgyz Republic which comes into force from July 1, 2015.

2. The Law of the Kyrgyz Republic “On Electronic Payments” No. 121 as of November 6, 1999 is to be considered null and void.

3. The Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic are to bring their regulatory acts into conformity with this Law.

The President of the Kyrgyz Republic
A.Sh.Atambaev
Bishkek January 21, 2015 No 121