

# **LAW OF THE KYRGYZ REPUBLIC ON THE NATIONAL BANK OF THE KYRGYZ REPUBLIC**

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

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

## **CHAPTER I. GENERAL PROVISIONS**

### **ARTICLE 1. The National Bank of the Kyrgyz Republic**

1. The National (Central) Bank of the Kyrgyz Republic (the Bank of Kyrgyzstan) shall constitute the bank of the Kyrgyz Republic and fall under its ownership.
2. The Bank of Kyrgyzstan shall be a juridical person, engaging in its activities in conformity with the present Law and not pursuing an aim of making profit.
3. The location of the Bank of Kyrgyzstan shall be the city of Bishkek. The Bank of Kyrgyzstan shall have the right to set up branches, representation offices and appoint its representatives within the Kyrgyz Republic and abroad.  
The Bank of Kyrgyzstan shall have the seal bearing its name and the image of the National Emblem of the Kyrgyz Republic.
4. It shall be prohibited to use the combination of words "Bank of Kyrgyzstan", abbreviations "CBKR" and "NBKR", as well as the words "Central", "National", "Kyrgyz Banky" in the names and logos of other banks, in full or abridged forms in any language.
5. The Kyrgyz Republic shall not bear responsibility for the obligations of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall not bear responsibility for the obligations of the Kyrgyz Republic.

### **ARTICLE 2. The Objective of Activities of the Bank of Kyrgyzstan**

The objective of activities of the Bank of Kyrgyzstan shall be to attain and maintain price stability by pursuing an appropriate monetary policy in compliance with the present Law.

### **ARTICLE 3. The Principal Objective of the Bank of Kyrgyzstan**

The principal objective, conducive to the achievement of the goal (or subject to the major goal) of activities of the Bank of Kyrgyzstan, shall be to maintain the purchasing value of the national currency, ensure the effectiveness, safety, and reliability of the banking and payments system of the Republic.

#### **ARTICLE 4. Functions of the Bank of Kyrgyzstan**

The Bank of Kyrgyzstan shall perform the following functions:

- 1) to define and pursue the monetary policy in the Kyrgyz Republic;
- 2) to elaborate and carry out a uniform exchange policy;
- 3) to have a sole note-issuing power;
- 4) to be a creditor of last resort for banks in conformity with the present Law;
- 5) to lay down rules for conducting banking transactions, accounting and reporting in the banking system;
- 6) to license banking transactions and pawnshop activities, as well as attraction of funds from the population by juridical persons on terms of maturity, repayment, and payment in conformity with the legislation of the Republic, and keep a register of the issued licenses;
- 7) to regulate and administer activities of banks and financial-credit institutions, licensed by the Bank of Kyrgyzstan;
- 8) to foster efficient operations of the payments system and inter-bank transactions;
- 9) to make exchange rate adjustments, including a publication of standards regulating foreign exchange transactions, as well as purchase, sale, and exchange transactions in foreign exchange in conformity with the legislation of the Republic;
- 10) to hold and manage official foreign exchange reserves in compliance with the present Law;
- 11) to compile jointly with the National Statistics Committee the balance of payments of the Kyrgyz Republic;
- 12) to represent interests and act in the name of the Kyrgyz Republic on monetary and banking policy issues at international meetings, conferences, as well as in organizations;
- 13) to fulfill other functions and exercise powers and rights in conformity with the legislation of the Kyrgyz Republic.

#### **ARTICLE 5. Transactions of the Bank of Kyrgyzstan**

To achieve the objectives established by the present Law, the Bank of Kyrgyzstan shall have the right to conduct, on certain terms, the following transactions:

- \* to extend credits for a period of not more than six months against securities or other assets, determined by the Bank of Kyrgyzstan in conformity with this Law and the legislation of the Kyrgyz Republic;
- \* to conduct banking service operations for banks and other financial-credit institutions;

- \* to purchase and sell checks, ordinary bills and bills of exchange of prime issuers, of the commodity origin, as a rule, with maturity of bills of not more than six months;
- \* to purchase and sell securities, issued by the Government of the Kyrgyz Republic, on the secondary market;
- \* to purchase and sell securities, issued by the Bank of Kyrgyzstan, as well as securities, issued by foreign states, international organizations;
- \* to purchase and sell precious metals and other types of currency values;- to purchase and sell foreign exchange;
- \* to open accounts with banks and financial institutions;
- \* to act as an intermediary in transactions with the funds, provided by international financial institutions to finance various programs, on terms as established by the Board of the Bank of Kyrgyzstan;
- \* to conduct other banking transactions which are banned by law.

#### **ARTICLE 6.The Business Arrangement of the Bank of Kyrgyzstan**

1. The Bank of Kyrgyzstan shall independently arrange and engage in its activities within the authority as established by the present Law and not contradictory to it.

Interference of all the government agencies in the process of resolving issues, ascribed by the present Law to the jurisdiction of the Bank of Kyrgyzstan, shall not be permissible.

2. The Bank of Kyrgyzstan shall coordinate its policy with the Government of the Kyrgyz Republic to the extent not disagreeable to its principal goals and objectives.

#### **ARTICLE 7.Rules and Regulations of the Bank of Kyrgyzstan**

1. On issues, ascribed by the present Law and other laws to its jurisdiction, the Bank of Kyrgyzstan shall give explanations on the banking terminology, issue rules and regulations, binding on all the banks, juridical and physical persons which conduct certain banking transactions on the ground of licenses granted by the Bank of Kyrgyzstan, as well as binding on their customers, and on executive agencies.

2. The rules and regulations of the Bank of Kyrgyzstan, directly involving the rights, liberties or obligations of citizens, should be registered in accordance with state registration rules as established by law with respect to normative-legal acts.

3. The rules and regulations of the Bank of Kyrgyzstan shall come into force on the date of their official promulgation in the official publication of the Bank of Kyrgyzstan exclusive of the cases as established in the normative act itself. The rules and regulations of the Bank of Kyrgyzstan shall not be retroactive.

### **CHAPTER II. REPORTING OF THE BANK OF KYRGYZSTAN**

#### **ARTICLE 8.Reporting by the Bank of Kyrgyzstan**

1. The financial year of the Bank of Kyrgyzstan shall be established as beginning on January 1 and ending on December 31 inclusive.
2. The Bank of Kyrgyzstan shall perform successive accounting and reporting that show its transactions and financial position in a manner conforming to the international accounting procedures.
3. The Bank of Kyrgyzstan shall draw up an annual financial statement comprising the balance sheet of the Bank of Kyrgyzstan, the profit and loss statement, and other associated reports as determined by the Board of the Bank of Kyrgyzstan.

The Board of the Bank of Kyrgyzstan shall establish the structure of the balance sheet of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan shall publish in mass media its consolidated balance sheet on a monthly basis.

#### **ARTICLE 9. The Audit of the Bank of Kyrgyzstan**

Not later than six months prior to the end of the financial year of the Bank of Kyrgyzstan, the Jogorku Kenesh of the Kyrgyz Republic shall take a decision on conducting an audit of the Bank of Kyrgyzstan and select on introduction by the Bank of Kyrgyzstan an audit company which has an international reputation and experience in conducting audits of Central (National) banks of not less than ten years.

In compliance with a contract concluded with the Audit Company, the Bank of Kyrgyzstan shall present reports and information as required for conducting audits in accordance with international auditing procedures.

Payment for services of the Audit Company in auditing the Bank of Kyrgyzstan shall be made from internal funds of the Bank of Kyrgyzstan.

#### **ARTICLE 10. The Annual Report of the Bank of Kyrgyzstan**

1. Not later than April 30 of each year, the Bank of Kyrgyzstan shall submit to the Jogorku Kenesh of the Kyrgyz Republic a report on its activities.
2. The annual report of the Bank of Kyrgyzstan shall comprise:
  - 1) the audited financial statements of the Bank of Kyrgyzstan;
  - 2) other reports on activities of the Bank of Kyrgyzstan as determined by the Board of the Bank of Kyrgyzstan.
3. The Jogorku Kenesh of the Kyrgyz Republic shall consider the annual report of the Bank of Kyrgyzstan by July 1 of the year succeeding the reporting one.
4. Each year, the Bank of Kyrgyzstan shall publish major analytic data included in the annual report and relating to the status of the financial and banking system of the Republic.

#### **ARTICLE 11. Information on the Policy Pursued by the Bank of Kyrgyzstan**

1. The Bank of Kyrgyzstan shall prepare and submit to the Jogorku Kenesh of the Kyrgyz Republic biannual official information on major directions of a policy pursued by the Bank of Kyrgyzstan in the area of monetary relations, as well as on the financial and banking sector development issues.

2. Data on major directions of activities of the Bank of Kyrgyzstan shall be published in mass media.

### **CHAPTER III. CAPITAL OF THE BANK OF KYRGYZSTAN**

#### **ARTICLE 12. Capital of the Bank of Kyrgyzstan**

1. Capital of the Bank of Kyrgyzstan shall include paid-up ownership capital, reserve formed from its profit, and valuation reserves.
2. The Bank of Kyrgyzstan shall own paid-up ownership capital of 50 million soms. The Bank of Kyrgyzstan may not alienate or pledge its ownership capital to any party.
3. Ownership capital of the Bank of Kyrgyzstan may not be increased or decreased without appropriate amendments made to the present Law.
4. Should the Bank of Kyrgyzstan have net losses not covered by total and required reserves at the end of the financial year, in order to restock capital to the size as specified in paragraph 2 of this Article, the Government of the Kyrgyz Republic shall cover these losses by a direct transfer of funds or a transfer of possession of negotiable securities to the Bank of Kyrgyzstan, at market interest rates and under a guarantee of the Kyrgyz Republic.

#### **ARTICLE 13. Reserves and Profit of the Bank of Kyrgyzstan**

1. The Bank of Kyrgyzstan shall establish:
  - 1) required reserves maintained in the amount of twofold paid-up ownership capital and formed from net profit before tax deductions to the budget of the Kyrgyz Republic;
  - 2) total reserves formed from net profit before tax deductions to the budget of the Kyrgyz Republic (retained profit), with paragraph 5 of the present Article taken into account;
  - 3) revaluation accounts of transactions with foreign currencies, gold, fixed and other assets in conformity with the accounting standards, regardless of the profit and loss account.
2. The Bank of Kyrgyzstan shall set rules of forming and using reserves and special accounts in conformity with the international procedures and provisions of the present Law.
3. The profit of the Bank of Kyrgyzstan shall be determined on the basis of the financial end-year outcome in conformity with the accounting standards after a record of all revenues and expenditures for the given period, including:
  - \* operating and other administrative expenses in accordance with the international usage to ensure good performance of the Bank of Kyrgyzstan and;
  - \* a buildup of total revenue and expenditure;
  - \* a revaluation of assets and liabilities;

\* deductions for special reserves, depreciation of assets, contributions to pension funds, compulsory insurance of employees of the Bank of Kyrgyzstan, as well as other deductions and expenses specified by relevant provisions and accepted in the international practice.

4. The following deductions from the profit of the Bank of Kyrgyzstan shall be earmarked to restock:

1) ownership capital in accordance with the procedure under Article 12 of the present Law;

2) required reserves up to the level established in paragraph 1 of the present Article.

5. Should the deductions under paragraph 4 of the present Article reduce capital of the Bank of Kyrgyzstan below the level as established in paragraph 2 of Article 12 of the present Law, the whole profit shall be transferred to required reserves until ownership capital of the Bank of Kyrgyzstan reaches the established size.

6. Seventy percent of the profit remaining after deductions under items 4 and 5 of the present article shall be transferred to the budget of the Kyrgyz Republic. The transfer shall be made on the expiration of the financial year, after the audit and approval of the annual report of the Bank of Kyrgyzstan.

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

## **CHAPTER IV. NATIONAL CURRENCY OF THE KYRGYZ REPUBLIC**

### **ARTICLE 14. Monetary Unit**

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

2. Currency shall be issued in the form of banknotes and coins.

### **ARTICLE 15. Currency Issue**

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

### **ARTICLE 16. Legal Tender**

1. The Som shall be the only legal tender in the territory of the Kyrgyz Republic and both juridical and physical persons shall be bound to accept it without any restrictions.

2. Should there be the cases of an unjustified refusal to accept soms in payments, officials and residents shall bear responsibility under present law of the Kyrgyz Republic.

3. Law shall prosecute forgery and illegal printing of the currency of the Kyrgyz Republic.

### **ARTICLE 17. The value of the Som in Terms of Other Currencies**

1. The Bank of Kyrgyzstan shall announce the official rate of exchange between the som and other currencies.
2. Transactions to exchange the som for foreign currency in the territory of the Kyrgyz Republic shall not be limited.

#### **ARTICLE 18. Money Circulation Arrangements**

For the purpose of arranging currency circulation in the territory of the Kyrgyz Republic, the Bank of Kyrgyzstan shall:

- 1) work out and approve a procedure of conducting cash transactions with respect to banks and financial-credit institutions licensed by the Bank of Kyrgyzstan;
- 2) work out projections of banknote and coin issue requirements of the Republic;
- 3) ensure formation of banknote and coin reserves and place orders for printing currency (banknotes and coins);
- 4) establish general cash safekeeping, transportation, and collection requirements with regard to banks;
- 5) establish a procedure of detecting authenticity of currency notes when payments are effected;
- 6) determine protective features and a procedure of replacing currency in circulation, as well as the procedure of destroying notes and coins damaged and withdrawn from circulation;
- 7) apply other methods and mechanisms of regulation accepted in the international practice.

### **CHAPTER V. MONETARY CONTROL**

#### **ARTICLE 19. Monetary Policy of the Bank of Kyrgyzstan**

The monetary policy of the Kyrgyz Republic shall be formulated by the Bank of Kyrgyzstan and implemented in concert with the Government of the Kyrgyz Republic.

#### **ARTICLE 20. Money Supply Control**

The Bank of Kyrgyzstan shall exercise adjustment of the currency mix and volume through the use of the following instruments:

- 1) purchases and sales of securities issued and guaranteed by the Government of the Kyrgyz Republic;
- 2) purchases and sales of securities issued and guaranteed by the Bank of Kyrgyzstan;
- 3) purchases and sales of foreign currency;
- 4) changes in volumes and interest rates of loans extended by the Bank of Kyrgyzstan;
- 5) changes in the size of required reserves deposited with the Bank of Kyrgyzstan;

6) other ways and techniques accepted in the international practice.

#### **ARTICLE 21. Securities Issued by the Bank of Kyrgyzstan**

For the purpose of implementing its monetary policy, the Bank of Kyrgyzstan shall have the right to issue securities and conduct all types of transactions therewith in conformity with the international procedures.

#### **ARTICLE 22. Required Reserves**

1. The Bank of Kyrgyzstan shall establish for banks the size of their required reserves placed with the Bank of Kyrgyzstan for remuneration.
2. The Board of the Bank of Kyrgyzstan shall establish the size, rules of calculation, and the procedure of depositing required reserves, as well as the size of a penalty for their non-observance.

#### **ARTICLE 23. Interest Rate Adjustment**

The Bank of Kyrgyzstan shall adjust bank interest rates in the Kyrgyz Republic through monetary policy instruments.

### **CHAPTER VI. RELATIONS BETWEEN THE BANK OF KYRGYZSTAN AND THE GOVERNMENT**

#### **ARTICLE 24. Veto on Lending to the Government of the Kyrgyz Republic**

1. The Bank of Kyrgyzstan shall not have the right to extend loans to the Government of the Kyrgyz Republic and other public authorities.
2. The Bank of Kyrgyzstan shall not have the right to provide financial assistance, in any form, to public authorities, as well as to economic entities or societies.

#### **ARTICLE 25. Transactions with Securities Issued by the Government of the Kyrgyz Republic**

For the purposes of implementing its monetary policy, the Bank of Kyrgyzstan shall have the right to purchase and sell securities issued by the Government of the Kyrgyz Republic, only on the secondary securities market, except for cases when securities of the Government of the Kyrgyz Republic are received for augmenting ownership capital of the Bank of Kyrgyzstan.

#### **ARTICLE 26. Deposit Arrangements**

1. To render services to the Government of the Kyrgyz Republic, the Bank of Kyrgyzstan shall act as a depository bank and conduct banking transactions only on accounts of the Treasury of the Kyrgyz Republic or the Ministry of Finance of the Kyrgyz Republic which are opened in accordance with international treaties (agreements), ratified according to a legally established procedure.



2. In addition to deposits, accepted as specified in paragraph 1 of the present Article, the Bank of Kyrgyzstan shall have the right to accept deposits from foreign correspondent banks, banks and financial and credit institutions in accordance with the procedure established by the Bank of Kyrgyzstan and provisions of a relevant agreement.

3. Clearing transactions shall be conducted within the balances of these accounts unless an agreement on correspondent relations specifies otherwise.

#### **Article 27. Authority of the Bank of Kyrgyzstan as Fiscal Agent and Adviser**

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

As the fiscal agent of the Government of the Kyrgyz Republic, the Bank of Kyrgyzstan may perform the agent's functions associated with the external debt service of the Government of the Kyrgyz Republic.

2. The Bank of Kyrgyzstan shall act as a financial adviser to the President of the Kyrgyz Republic, both Assemblies of the Jogorku Kenesh of the Kyrgyz Republic, the Government of the Kyrgyz Republic on financial and other banking-related issues.

3. When considering the draft Republican Budget, the Government of the Kyrgyz Republic shall consult with the Bank of Kyrgyzstan.

4. Draft standard legal acts, relating to financial and banking activities shall be considered by the President of the Kyrgyz Republic, both Assemblies of the Jogorku Kenesh of the Kyrgyz Republic, and the Government of the Kyrgyz Republic only if a conclusion of the Bank of Kyrgyzstan is available.

Standard legal documents of ministries, state committees, administrative departments and other executive bodies affecting issues of the financial and banking systems shall be subject to approval by the Bank of Kyrgyzstan.

### **CHAPTER VII. RELATIONS BETWEEN THE BANK OF KYRGYZSTAN AND OTHER BANKS**

#### **Article 28. Loans Extended to Other Banks**

1. To maintain liquidity of banks, the Bank of Kyrgyzstan may extend banks short-term repayable loans with maturity of not more than six months, provided one of the following types of collateral acceptable to the Bank of Kyrgyzstan is furnished thereto:

- 1) gold and other precious metals;
- 2) foreign currency;
- 3) six-month notes in the national and foreign currencies and other liabilities acceptable to the Bank of Kyrgyzstan;
- 4) deposits with the Bank of Kyrgyzstan or with another credit institution acceptable to the Bank of Kyrgyzstan;

- 5) securities issued by the Government of the Kyrgyz Republic;
- 6) other types of collateral acceptable to the Bank of Kyrgyzstan.

Other assets and merchandise papers shall be eligible to be accepted as collateral in cases as specified by the Bank of Kyrgyzstan.

2. The procedure for and terms of lending shall be specified by the Board of the Bank of Kyrgyzstan and brought to notice of commercial banks.

The Bank of Kyrgyzstan may extend banks loans of various types and establish different interest rates subject to the type of the loan.

The Bank of Kyrgyzstan shall not extend a loan on an overdraft of transactions conducted between commercial banks.

The Bank of Kyrgyzstan shall establish special loan loss provisions, classified as bank expenses and subject to the value of assets.

3. In emergency cases, to maintain the banking system intact, the Bank of Kyrgyzstan may extend an unsecured loan or a loan secured by other types of assets, on terms as specified by the Board of the Bank of Kyrgyzstan.

An emergency loan may be extended for a period of six months. This period may be prolonged by decision of the Board of the Bank of Kyrgyzstan. During the term of such loans, the Bank of Kyrgyzstan shall apply special borrower treatment as specified in the rules and regulations of the Bank of Kyrgyzstan.

#### **Article 29. Settlement Arrangements**

1. To ensure normal operation of the payments system of the Republic, the Bank of Kyrgyzstan shall make inter-bank payments and other forms of settlements in compliance with the international banking procedures.

The Bank of Kyrgyzstan shall assess acceptability of payment and clearing system techniques applied in the Republic.

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

#### **Article 30. Banking Control and Supervision**

1. The Bank of Kyrgyzstan shall be an agency of banking supervision and control of activities of banks and other financial-credit institutions licensed by the Bank of Kyrgyzstan, shall exercise continuous supervision over their activities in order to maintain a stable financial system, support and protect interests of depositors and other creditors, and to ensure compliance with the laws of the Kyrgyz Republic and the rules and regulations of the Bank of Kyrgyzstan.

2. To fulfill its functions as regards supervision and control of activities of banks and other financial-credit institutions licensed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have the right to:

- 1) establish prudential norms, issue guidelines, instructions and recommendations in order to perform licensing and supervision functions and procedures for their fulfillment by setting appropriate rules and standards in conformity with the present Law;
- 2) conduct on-site inspections of banks and their branches as well as companies related to them by common interests (insiders and affiliated companies), or entrust independent auditors or audit firms with the task of conducting such inspections;
- 3) request and receive information and reports for effective fulfillment of its supervisory functions, as well as to request an explanation for this information;
- 4) order to take measures of financial rehabilitation, introduce temporary management, suspend or revoke a license, or impose penalties, in conformity with the present Law in order to prevent insecure, unreasonable, or unscrupulous activities;
- 5) issue rules and regulations relating to a revelation and prevention of financial machinations and money laundry transactions, and requiring specific measures (including submission of necessary reports to the Bank of Kyrgyzstan or other agencies, a modification of banking procedures, staff training, and submission of information about the bank's customers);
- 6) suspend, upon a written request of law enforcement agencies responsible for the revelation and prevention of financial machinations or on the basis of its own decision, for a period established by the rules and regulations of the Bank of Kyrgyzstan, any banking transactions, which fall according to the legislation of the Kyrgyz Republic under a category of suspicious transactions.

The responsibility for unwarranted suspension of banking transactions shall be borne by a person or organization on whose initiative it was effected.

Transaction-specific information received from banks and other financial-credit institutions licensed by the Bank of Kyrgyzstan shall not be subject to a disclosure without their consent, with the exception of cases specified by laws of the Kyrgyz Republic.

3. The Bank of Kyrgyzstan may cooperate with foreign banking supervision agencies on the principle of reciprocity with respect to supervision and licensing of banks operating or willing to operate under an appropriate jurisdiction.

The Bank of Kyrgyzstan may exchange information on any bank, which is operating or willing to operate under both jurisdictions, with foreign banking supervision agencies, provided that the latter observe confidentiality of information they receive.

### **Article 31. Prudential Norms Set by the Bank of Kyrgyzstan**

1. To fulfill adjustment functions with respect to activities of banks and other financial-credit institutions licensed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall establish and declare in accordance with the international standards the following prudential norms:

- 1) minimum ownership capital, minimum capital (internal funds);
- 2) the capital adequacy ratio;
- 3) the maximum one-borrower risk;

- 4) liquidity positions;
- 5) foreign exchange, interest and other risk limits;
- 6) other norms required to ensure financial stability and applied in the international banking procedures.

Methods to calculate prudential norms are determined by the rules and regulations of the Bank of Kyrgyzstan.

2. The Bank of Kyrgyzstan shall establish a procedure of formation and the size of loan, leasing, and other loss provisions, as well as foreign exchange, interest and other financial risk limits.

### **Article 32. Preventive Measures and Sanctions of the Bank of Kyrgyzstan**

1. In cases revealing non-observance of prudential norms, violation of banking laws, the rules and regulations, and instructions of the Bank of Kyrgyzstan, or failure to submit or submission of unreliable and/or incomplete information by banks and other financial institutions, licensed by the Bank of Kyrgyzstan, or when banks or financial-credit institutions become insolvent, the Bank of Kyrgyzstan may:

- 1) issue instructions binding to rectify violations immediately or within a specified period;
- 2) apply other sanctions in conformity with paragraph 2 of the present Article;
- 3) suspend or revoke the license;
- 4) initiate the liquidation process in case of insolvency.

Taking measures with respect to banks and financial-credit institutions licensed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan should be guided by the need to maintain high banking standards and stability of the financial system of the Kyrgyz Republic. The Bank should not be guided or fall under the influence of shareholders, or take into account potential losses which they may suffer due to some actions which may be undertaken by the Bank of Kyrgyzstan in order to protect interests of creditors and/or maintain stability of the financial and banking system of the Republic.

The Bank of Kyrgyzstan shall not bear responsibility for any losses incurred as a result of sanctions stipulated by the present Law.

2. In case if the instructions to rectify violations are not carried out within the prescribed period of time, as well as facts of non-observance of prudential norms by a bank or financial institution licensed by the Bank of Kyrgyzstan are revealed, the Bank of Kyrgyzstan shall have the right to take one or several of the following measures:

- 1) to introduce higher prudential norms;
- 2) to increase the size of required reserves;
- 3) to impose a penalty at the rate of not more than 1 percent of paid-up ownership capital for each case of a breach in accordance with the procedure established by the Board of the Bank of Kyrgyzstan;

4) to impose a penalty on certain executive officers at the rate of twenty minimum wages (the minimum rate) established by laws of the Kyrgyz Republic;

5) to make a request binding to:

- \* replace all or some of the executive officers;
- \* take measures of financial rehabilitation;
- \* undertake re-capitalization or reorganization;
- \* conduct an unplanned audit at the expense of the audited bank;

6) to appoint provisional management for a period of up to six months in order to maintain assets;

7) to suspend a license with a contingent appointment of a temporary manager and restrict all or certain transactions provided for by a license for a period of up to six months.

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

- 1) minimum ownership capital has not been paid within six months after the preliminary permit has been received;
- 2) within six months information, on the basis of which the preliminary permit to open the bank has been given, is revealed as inauthentic;
- 3) the founders' financial position has deteriorated or facts, which could give a reason for a dismissal of a license, are revealed;
- 4) the founders of the bank decided not to initiate activities of the bank.

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

- 1) the developments mentioned in paragraph 1 of the present Article are in place and the Bank of Kyrgyzstan agrees to the need for revoking the license;
- 2) binding instructions of the Bank of Kyrgyzstan (two or more times during 12 consecutive calendar months) are regularly violated;
- 3) the total capital adequacy ratio of the bank is 2 percent or estimated by the Bank of Kyrgyzstan to be below this level in the near future and the founders, despite an advance notice, do not replenish capital or do not take measures to replenish it beyond this level within the period established by Bank of Kyrgyzstan;
- 4) requirements and sanctions, applied by the Bank of Kyrgyzstan in compliance with paragraph 2 of the present Article, are not fulfilled;
- 5) rules and regulations of the Bank of Kyrgyzstan are regularly (two or more times during 12 consecutive calendar months) violated;
- 6) doubtful information is regularly submitted or if during one year from the date of issue of the license information, on the basis of which the license was granted, is revealed as inauthentic;

7) involvement in transactions prohibited by laws of the Kyrgyz Republic, or activities, which are not licensed;

8) insolvency or announcement of insolvency by the Bank of Kyrgyzstan in accordance with the laws of the Kyrgyz Republic;

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

10) the bank does not abide with the requirements of anti-monopoly laws;

11) the parent bank is liquidated or the country it is registered in revokes its banking license, the license of its branch shall be revoked as well.

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

The bank or financial-credit institution licensed by the Bank of Kyrgyzstan may terminate its activities and return the license, notifying the Bank of Kyrgyzstan in writing of its intentions and expected date, only on approval by the Bank of Kyrgyzstan. The Bank of Kyrgyzstan may demand satisfaction of interests of depositors and other creditors before it gives its approval to termination of activities.

6. Should there be a risk of declaring the bank as bankrupt (if the bank's capital adequacy ratio is less than two percent), in order to protect interests of depositors and creditors the Bank of Kyrgyzstan, apart from authority provided for in the present Law, as well as by the Law of the Kyrgyz Republic "On Bank and Banking Activities in the Kyrgyz Republic", shall have the right to undertake any of the following measures:

1) to order the bank to take or not to take specific measures;

2) to order shareholders to provide the bank with additional capital or to transfer their shares to parties wishing to acquire them, at the value determined by the Bank of Kyrgyzstan;

3) to instruct the bank to sell its assets, partially or fully, in order to mobilize liquid funds without an initiation of bankruptcy proceedings;

4) to provide the bank with internal liquid funds against security;

5) to give the bank a status of a bank under temporary administration and appoint a temporary administrator of the bank;

6) to initiate out-of-court bankruptcy proceedings;

7) to meet the request of the bank, its shareholders or creditors of the bank to initiate bankruptcy proceedings against the bank (in court or out of court).

## **CHAPTER VIII. FOREIGN ECONOMIC RELATIONS AND CURRENCY TRANSACTIONS**

### **Article 33. Transactions Relating to Membership of the Kyrgyz Republic in International Financial-Credit Organizations**

1. In the events provided for by laws and international treaties of the Kyrgyz Republic, the Bank of Kyrgyzstan shall represent at international meetings, conferences and organizations interests of the Kyrgyz Republic relating to monetary policy, licensing of banks, banking supervision, and other issues under its authority.
2. Within the limits of its authority, the Bank of Kyrgyzstan may conduct transactions with central banks of other countries, International Monetary Fund, and other international financial organizations on behalf of the Kyrgyz Republic.
3. The Bank of Kyrgyzstan may participate in activities of any organization located both in the territory of the Kyrgyz Republic and abroad and engaged in developing cooperation in monetary, foreign exchange, and banking spheres, including cooperation between central banks of foreign countries.

### **Article 34. Exchange Control**

The Bank of Kyrgyzstan shall be a public exchange control agency performing this function by: issuing rules and regulations regulating foreign exchange transactions; granting and revoking licenses to intermediaries in exchange transactions, including banks; exercising supervision of their activities in conformity with the laws of the Kyrgyz Republic.

### **Article 35. International Reserves of the Bank of Kyrgyzstan**

1. For purposes of attaining its objectives the Bank of Kyrgyzstan shall hold part of its resources in foreign exchange and other international assets, the value of which on international markets undergoes less changes. In addition, on terms as specified by the Board of the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have its international reserve comprising gold and:
  - 1) foreign currencies including those kept in accounts with central and prime foreign banks or other international financial institutions;
  - 2) foreign exchange in banknotes and coins;
  - 3) any internationally accepted reserve assets;
  - 4) promissory notes and bills of exchange in foreign exchange, accepted in international transactions and subject to payment in foreign exchange;
  - 5) Government securities, issued or guaranteed by foreign public institutions in their national currencies (or in foreign exchange) and paid in foreign exchange;
  - 6) other negotiable securities, issued by prime international financial institutions provided they are classified as proper securities.
2. The Bank of Kyrgyzstan shall manage its international reserves adjusted for liquidity and safety of reserve assets.
3. To export precious metals, which are accounted in its balance sheet, in order to place or sell international reserves abroad, the Bank of Kyrgyzstan shall not need any additional

license. The Board of the Bank of Kyrgyzstan shall determine the procedure and terms of export and sale of precious metals.

### **Article 36. Transactions with Foreign Exchange and Gold and Foreign Exchange Reserves Accounted in the Balance Sheet of the Bank of Kyrgyzstan**

The Bank of Kyrgyzstan shall have the right to:

- 1) conduct in the territory of the Kyrgyz Republic or abroad exchange transactions that conform to the laws and are accepted in the international banking practice;
- 2) purchase and sell treasury bills and other securities issued or guaranteed by foreign governments or international financial organizations, as well as to conduct other transactions which are not contradictory to laws of the Kyrgyz Republic and are accepted in the international banking practice;
- 3) open and maintain accounts with foreign central banks and other financial institutions outside the Kyrgyz Republic, as well as with international financial organizations;
- 4) open and maintain accounts, act as a representative or correspondent for foreign central banks and other financial institutions outside the Kyrgyz Republic, as well as to represent interests of central banks and other financial institutions of foreign countries and international financial organizations in the Kyrgyz Republic;
- 5) conduct in the territory of the Kyrgyz Republic and in foreign markets transactions on purchases and sales of gold and other certified precious metals in bullion, coins and other forms.

## **CHAPTER IX. ORGANIZATION AND MANAGEMENT OF THE BANK OF KYRGYZSTAN**

### **Article 37. Management of the Bank of Kyrgyzstan**

1. The supreme administrative body of the Bank of Kyrgyzstan shall be the Board of the Bank of Kyrgyzstan, a collective body that establishes major directions of activities of the Bank of Kyrgyzstan and manages the Bank of Kyrgyzstan.
2. The Board of the Bank of Kyrgyzstan shall consist of 9 members. Board members shall work on a full time basis at the Bank of Kyrgyzstan.
3. The Board of the Bank of Kyrgyzstan shall consist of the Chairman of the Bank of Kyrgyzstan, three deputies, and Board members of the Bank of Kyrgyzstan.

### **Article 38. Assignment Requirements**

The Chairman of the Bank of Kyrgyzstan and Board members shall be persons having good reputations and professional experience in economic, financial and monetary issues.

### **Article 39. Term in Office**



1. The Chairman of the Bank of Kyrgyzstan shall be appointed and dismissed by the President of the Kyrgyz Republic by consent of the Jogorku Kenesh of the Kyrgyz Republic for a period of seven years.

Other Board members of the Bank of Kyrgyzstan shall be appointed by the President of the Kyrgyz Republic on proposal of the Chairman of the Bank of Kyrgyzstan for a period of seven years.

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

Should the Chairman or Board members of the Bank of Kyrgyzstan resign, a new Board member of the Bank of Kyrgyzstan may be appointed prior to the expiration of term in office of that official whose post he is appointed to. The successor may be appointed in the future for a full term in office.

#### **Article 40. Salaries of the Chairman and Board Members of the Bank of Kyrgyzstan**

1. The salary of the Chairman of the Bank of Kyrgyzstan shall be determined by the President of the Kyrgyz Republic, taking into account salaries in the competing markets.

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

#### **Article 41. Resignation and Dismissal**

1. The Chairman and Board members of the Bank of Kyrgyzstan may be dismissed from their offices only in the following cases:

- 1) at the expiration of their term in office;
- 2) personal submission of resignation;
- 3) commitment of a criminal offense established through an announcement of a court verdict;
- 4) inability to perform duties that is confirmed by a decision of a commission of medical experts;
- 5) loss of citizenship.

2. In case of a serious abuse of authority which essentially interferes with interests of the Bank of Kyrgyzstan or a gross violation of the present Law or banking laws of the Kyrgyz Republic, Board members of the Bank of Kyrgyzstan may be released from their duties on a recommendation and decision of the majority of Board members.

#### **Article 42. Meetings of the Board of the Bank of Kyrgyzstan**

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

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

2. Six Board members of the Bank of Kyrgyzstan shall constitute a quorum at a Board meeting, one of them should be the Chairman of the Bank of Kyrgyzstan or one of his deputies or a person acting as chairman. If the Board of the Bank of Kyrgyzstan takes decisions on monetary policy issues, the opinion of the Board members being in the minority shall be entered at their request in the minutes of the meeting.

3. Decisions of the Board of the Bank of Kyrgyzstan shall be taken by a simple majority of votes if not less than five Board members voted for this decision.

4. The Chairman of the Bank of Kyrgyzstan shall supervise and preside over meetings of the Board of the Bank of Kyrgyzstan, while in his absence his deputy shall perform these duties.

### **Article 43. Authority of the Board of the Bank of Kyrgyzstan**

1. The Board of the Bank of Kyrgyzstan shall consider and approve:

- 1) the monetary policy of the Bank of Kyrgyzstan;
- 2) the annual report of the Bank of Kyrgyzstan;
- 3) types, amount and procedures of forming and using reserves and accounts of the Bank of Kyrgyzstan;
- 4) financial projections of the Bank of Kyrgyzstan for the next year not later than December 31 of the previous year;
- 5) structure of the Bank of Kyrgyzstan;
- 6) types and amounts of assets required for international reserves of the Bank of Kyrgyzstan;
- 7) rules and regulations;
- 8) standing order of the Bank of Kyrgyzstan and its Board;
- 9) new forms of short-term lending for a period of up to six months;
- 10) the procedure of issuing new specimens and denominations of currency notes and withdrawing banknotes and coins from circulation;
- 11) other issues ascribed under the present Law to the jurisdiction of the Bank of Kyrgyzstan.

2. The Board of the Bank of Kyrgyzstan shall take decisions on:

- 1) the size of required reserves;
- 2) the issue into and withdrawal from the circulation of bank notes and coins;
- 3) establishing prudential norms for banks in conformity with the present Law;
- 4) changing interest rates of the Bank of Kyrgyzstan;
- 5) establishing and liquidating self-financing institutions of the Bank of Kyrgyzstan;
- 6) participation in international organizations;

- 7) purchases and sales of immovable property to maintain activities of the Bank of Kyrgyzstan, its institutions, organizations, and employees;
  - 8) other issues ascribed by the present Law to the jurisdiction of the Board of the Bank of Kyrgyzstan.
3. The Board of the Bank of Kyrgyzstan shall have the right to consider any other issue if it deems it to be important.
  4. Deputies of the Chairman of the Bank of Kyrgyzstan, heads of structural units, employees of the Bank of Kyrgyzstan shall abide by the decisions taken at the meetings of the Board of the Bank of Kyrgyzstan.

#### **Article 44. Authority of the Chairman of the Bank of Kyrgyzstan**

1. The Chairman of the Bank of Kyrgyzstan shall: be at the head of the Board of the Bank of Kyrgyzstan; act by no proxy in the name of the Bank of Kyrgyzstan; represent interests of the Bank of Kyrgyzstan in relations with public agencies, banks, credit, international, and other institutions and organizations in the Kyrgyz Republic and abroad; take decisions on all issues relating to activities of the Bank of Kyrgyzstan, with the exception of issues ascribed under the present Law to the jurisdiction of the Board of the Bank of Kyrgyzstan; sign resolutions, minutes of the Board meetings of the Bank of Kyrgyzstan, as well as agreements concluded by the Bank of Kyrgyzstan; issue orders; give instructions binding for all employees of the Bank of Kyrgyzstan, its institutions, and organizations.
2. The Chairman of the Bank of Kyrgyzstan shall determine salaries of employees of the Bank of Kyrgyzstan in agreement with his deputies and heads of structural units;
3. In the absence of the Chairman of the Bank of Kyrgyzstan his duties shall be performed by one of his deputies appointed by the Chairman of the Bank of Kyrgyzstan or by the Board.

#### **Article 45. Restrictions on Board Members of the Bank of Kyrgyzstan**

1. Board members of the Bank of Kyrgyzstan may not be parliamentarians of both Assemblies of the Jogorku Kenesh of the Kyrgyz Republic or members of the Government of the Kyrgyz Republic or members (parliamentarians) of local governments.
2. Board members of the Bank of Kyrgyzstan may not hold posts in public and political and religious organizations.

Restrictions under Article 48 of the present Law shall apply to Board members of the Bank of Kyrgyzstan as well.

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

### **CHAPTER X. EMPLOYEES OF THE BANK OF KYRGYZSTAN**

#### **Article 46. Organization of Work of Employees of the Bank of Kyrgyzstan**

1. Terms of employment, the pay system, official duties and rights, the bonus and disciplinary penalty system with respect to employees of the Bank of Kyrgyzstan shall be determined by the Board of the Bank of Kyrgyzstan in conformity with the laws of the Republic.
2. The pay system of all the employees of the Bank of Kyrgyzstan shall be determined similarly to the pay system of economic entities of the Kyrgyz Republic.
3. Employees of the Bank of Kyrgyzstan should meet the requirements, placed on the bank staff, as established by the Bank of Kyrgyzstan.

#### **Article 47. Social Protection of Employees of the Bank of Kyrgyzstan**

The Bank of Kyrgyzstan shall arrange life and medical insurance for its employees, as well as take measures for social protection of the employees of the Bank of Kyrgyzstan, including purchases of immovable property, relating to housing and social problems of its employees, and establish pension and other funds to provide social protection of the employees of the Bank of Kyrgyzstan.

Some categories of employees, according to the List approved by Board of the Bank of Kyrgyzstan, shall be subject to compulsory insurance.

#### **Article 48. Restrictions on Employees of the Bank of Kyrgyzstan**

According to the list of positions, approved by the Board of the Bank of Kyrgyzstan, employees of the Bank of Kyrgyzstan:

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

This prohibition shall not extend to representation of interests of the Bank of Kyrgyzstan by its employees in organizations which the Bank of Kyrgyzstan joined as a member, as well as to positions in international financial-credit and other organizations which the Kyrgyz Republic joined as a member.

- 2) shall not have the right to receive credits from commercial banks of the Republic for their personal needs;

- 3) may not possess more than one percent of shares of commercial banks of the Republic and in total with other family members - more than five percent of shares of one bank.

Should an employee when applying for a job in the Bank of Kyrgyzstan have shares of more than one percent of one of the commercial banks, this employee shall be obliged to relegate his ownership rights on these shares to other members of his family for management; should the employee have totally with his family members more than five percent of shares this employee shall be obliged to relegate his ownership rights on these shares for trust management to an independent person having a license to conduct trust transactions.

#### **Article 49. Confidentiality of Information**

No employee of the Bank of Kyrgyzstan shall have the right to disclose confidential information on activities of the Bank of Kyrgyzstan, or any other information which became known to them due to official duties they discharge, except for cases envisaged by laws.

## **CHAPTER XI. FINAL PROVISIONS**

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

1. The Bank of Kyrgyzstan shall own, use and dispose of its monetary resources, buildings, structures, equipment, and other material assets and for the purposes of implementing its objectives may establish organizations with the rights of a juridical person.
2. The Bank of Kyrgyzstan shall have the right to acquire any rights of a debtor in any form in the course of a debt settlement provided these rights are to be realized by the Bank of Kyrgyzstan in as shortest period as possible though not later than two years.
3. The Bank of Kyrgyzstan shall not have the right to engage in activities out of the bounds of its objectives, to be a holder of shares or to participate in any way in activities of banks or other commercial organizations, to purchase, lease or by any other means acquire the property right on any immovable property with the exception for acquisition or lease relating to activities of the Bank of Kyrgyzstan and its employees.
4. The Government shall guarantee a protection of legal property rights of the Bank of Kyrgyzstan and shall not have the right to confiscate or reduce its capital as well as to burden the property of the Bank of Kyrgyzstan with obligations.
5. The Bank of Kyrgyzstan shall take measures to ensure safety of its activities as well as safeguard its property and assets (including printing, storage and distribution of banknotes) and protect its employees.

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

### **Article 51. Compilation of the Balance of Payment of the Kyrgyz Republic**

1. The Bank of Kyrgyzstan jointly with the state statistics agency shall compile the balance of payment of the Kyrgyz Republic.
2. Ministries, state committees, administrative departments, enterprises, institutions, and organizations, regardless of the ownership form, as well as nonresidents located in the territory of the Kyrgyz Republic shall furnish the Bank of Kyrgyzstan with information required for a compilation of the balance of payment in the form and within the time frame determined by the Bank of Kyrgyzstan in agreement with the National Statistics Committee.
3. Non-submission or untimely submission of information indicated in Paragraph 2 of this Article shall entail liability as established by laws of the Kyrgyz Republic.

### **Article 52. On Accounting and Book-Keeping**

The Bank of Kyrgyzstan shall establish forms and standards of accounting and bookkeeping, a chart of accounts of commercial banks, the Bank of Kyrgyzstan, and financial-credit institutions licensed by the Bank of Kyrgyzstan.

#### **Article 53. Immunity from Taxes**

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

2. The Bank of Kyrgyzstan including its regional departments, its property and revenues, as well as transactions shall be exempt from any taxes, customs and any other fees, as well as government fees.

This immunity shall not extend to juridical persons established by the Bank of Kyrgyzstan.

#### **Article 54. Internal Audit of the Bank of Kyrgyzstan**

Internal audit of the Bank of Kyrgyzstan shall be conducted by the internal audit unit, which shall directly report to the Chairman of the Bank of Kyrgyzstan.

#### **Article 55. International Contracts (Agreements)**

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

#### **Article 56. Enactment of the Present Law**

1. The present Law shall come into force on the date of its publication.

2. Article 24 of the present Law should be put into force on January 1, 1998. For a transitional period relating to the development of the national economy, the National Bank of the Kyrgyz Republic may extend credits to the Government of the Kyrgyz Republic until January 1, 1998, within the amount established by the Law "On the Republican Budget" till January 1, 1998.

To bring paragraph 3 of Article 50 of this Law into force on January 1, 2000.

3. To acknowledge as the following having become invalid:

\* the Law of the Kyrgyz Republic "On the National Bank of the Republic of Kyrgyzstan" of December 12, 1992, No. 1055 - XII;

\* the Resolution of the Supreme Council of the Kyrgyz Republic of December 12, 1992 "On the Enactment Procedure for the Law of the Kyrgyz Republic "On the National Bank of the Republic of Kyrgyzstan" of December 12, 1992, No. 1056 - XII.

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President of the Kyrgyz Republic  
the city of Bishkek, Government House  
July 29, 1997, No. 59  
Published in the newspaper "Erkin-Too"  
on August 6, 1997, No. 6263