

LAW OF TURKMENISTAN ON THE CENTRAL BANK OF TURKMENISTAN OF OCTOBER 8, 1993 WITH THE AMENDMENTS BY MEJLIS OF TURKMENISTAN OF 23RD OF SEPTEMBER, 1994

The present Law regulates activities of the Central Bank of Turkmenistan as the national bank, its relationships with other banks, guarantees the observance of creditors' and depositors' interests.

SECTION I. TARGETS AND TASKS OF THE CENTRAL BANK OF TURKMENISTAN

Article 1. Definitions

The terms used in the given Law shall have the following meanings:

- "bank" - a juridical person entitled with the right to draw funds from legal entities and physical persons and on its own behalf to allocate them, provided they are reimbursable, payable and terminable as well as to render other banking services;
- "owner of a bank account" shall mean any bank keeping an account with the Central Bank of Turkmenistan;
- "bond" shall mean a debt circulating document or any other instrument equivalent to such bond in a form of a certificate or an accounting entry;
- "manat" - the monetary unit of Turkmenistan;
- "reserve requirements" - requirements determined by the Central of Turkmenistan.

Article 2. The Central Bank of Turkmenistan

The Central Bank of Turkmenistan shall be a legal entity with a full capacity of rights in accordance with the legislation of Turkmenistan.

The Central Bank's head office shall be located in the city of Ashgabat. The Central Bank of Turkmenistan is authorised to establish and maintain branches, representative offices, agencies on relations with other institutions, determine agents and correspondent banks in Turkmenistan and abroad with the functions and responsibility in accordance with the legislation of Turkmenistan.

The Central Bank shall have a seal bearing the effigy of the State Emblem of Turkmenistan with the inscription " The Central Bank of Turkmenistan" in Turkmen, Russian and English which is included in the text of the seal. The Central Bank of Turkmenistan is included into the Unified State Register of enterprises and organisations of all forms of property and management.

Article 3. Legislative framework of the activities of the Central Bank of Turkmenistan

The activities of the Central Bank of Turkmenistan shall be regulated by this Law and other legislative acts of Turkmenistan. The Central Bank of Turkmenistan shall be independent from other state bodies and authorities.

Article 4. Targets and principal tasks of the Central Bank of Turkmenistan

The principle targets of the Central Bank of Turkmenistan are as follows:

- securing stability of the monetary unit;
- achieving and keeping the price stability;
- providing for the stable operation of the banking system;
- financial supporting the economic policy of the Cabinet of Ministers of Turkmenistan.

The Central Bank of Turkmenistan shall face the following tasks:

- setting up and implementing monetary policy;
- participating in setting up, adopting and implementing foreign exchange policy;
- granting licences and monitoring the banks and banking system;
- holding and managing the international reserves of the State;
- promoting the effective functioning of a settlement system.

The Central Bank of Turkmenistan shall be a banker, adviser and fiscal agent of the Cabinet of Ministers of Turkmenistan.

Article 5. International co-operation

The Central Bank of Turkmenistan:

- shall represent the State of Turkmenistan at all the intergovernmental meetings, councils and organisations on the issues of monetary policy;
- shall grant licences to foreign banks and monitor the way they are used, make decisions on other issues of its competence;
- shall deliver banking services to foreign governments, foreign central banks, financial bodies as well as to international organisations of which The State of Turkmenistan or The Central Bank of Turkmenistan are the members;
- shall take part in the work of international organisations and development of international co-operation;

As a representative of the State of Turkmenistan the Central bank of Turkmenistan shall assume obligations and perform operations related to the participation of Turkmenistan in the work of international organisations.

SECTION II. STRUCTURE AND MANAGEMENT OF THE CENTRAL BANK OF TURKMENISTAN

Article 6. Structure of the Central Bank of Turkmenistan

The Central Bank shall have a Board, a management of the bank consisting of a Chairman and Deputies, as well as the personnel.

Article 7. Functions of the Board

The Board:

- shall carry out the general management, control of the activities of the Central Bank of Turkmenistan;
- shall periodically assess economic, monetary and foreign exchange situation. On a monthly basis the Central Bank of Turkmenistan shall report to the Board on its activities, implementation of monetary and stabilisation policy (including the support of price stability), stability of the financial and banking system of Turkmenistan, money and foreign exchange markets, as well as the capital market, other data substantially affecting the activities of the Central Bank of Turkmenistan.

Article 8. Powers of the Board

The Board shall have the following powers:

- to set up the monetary policy of Turkmenistan including the frameworks of open market operations of the Central Bank of Turkmenistan, interest rates and loans of the Central Bank of Turkmenistan, reserve requirements, their amounts kept with the Central Bank of Turkmenistan;
- to approve the estimate of income and expenditures, yearly reports and financial statements of the Central Bank, the procedure of determining exchange rates and nominal values of paper money and coins, terms of withdrawing money from circulation, bonds maturity of which is later than three months before the date of purchase (article 35);
- to approve each of the credits given to the Cabinet of Ministers or a bank or contingent liabilities in favour of a bank in accordance with article 54;
- to design an organisational structure and staff requirements, approve the regulations of the internal order and work conditions for employees, give recommendations on appointments to the position of Deputy Chairmen of the Central Bank of Turkmenistan;
- to approve instructions, rules and regulations of general use, reports and recommendations of the Central Bank submitted to the President of Turkmenistan, establish and liquidate its branches and representative offices;
- to propose the increase of the statutory capital of the Central Bank of Turkmenistan, to determine special reserve funds in the accounting books of the Central Bank of Turkmenistan, to determine a net profit of the Central Bank and adopt a decision what amount of the net profit should be transferred to any of reserve funds.

Article 9. Members of the Board

The Board shall be composed of the Chairman of the Board, his Deputies (including the First Deputy Chairman), other independent members, appointed by the President of Turkmenistan for the period of seven years. The tenure of each member of the Board as

far as it is possible should be evenly portioned within each of the seven years period. The members of the Board may be the appointed for a second term.

Article 10. Salaries of the Members of the Board

The Salaries of the Chairman, Deputies Chairman and other members of the Board shall be determined by the President of Turkmenistan.

Article 11. Persons having no right to be appointed to the Members of the Board

Members of the Cabinet of Ministers and Khalk Maslakhaty cannot be appointed to the members of the Board.

Article 12. Reason for disqualification of a person from serving as a member of the Board

A person shall be disqualified from serving as a members of the Board by the President of Turkmenistan if he:

- has been designated or elected to the institutions referred to in Article 11;
- has been convicted of a crime;
- has been removed from his position by the competent authorities for the reason of careless performance of work;
- is incapable to perform his duties for the reason of his poor health;
- has committed a fault which damaged the interests of the Central Bank of Turkmenistan.

No member of the Board shall be dismissed from serving as a member of the Board for the reasons other than stipulated in this Law.

Article 13. Resignation of the members of the Board

The Chairman, his Deputies and any member of the Board shall resign by submitting a written notice to the President of Turkmenistan not later than a month before resignation.

Article 14. Vacancies in the Board

Any vacancies in the Board shall be filled by means of appointing members of the Board in accordance with the article 9 in order to finish the tenure that has not been completed by a replaced member of the Board.

Article 15. Board meetings

Board meetings shall be convened by the Chairman or, in his absence, by the First Deputy by a written notice of three members of the Board, in emergency cases - by a notice of two members of the Board. The Chairman, or, if he is unable to attend or to participate in voting, the First Deputy, shall preside at the meeting.

The Board must be convened as often as is necessary for adopting decisions on the activities of the Central Bank of Turkmenistan but not less than three times a quarter.

Board decisions shall be adopted the majority of votes of the members present. Every member of the Board shall have one vote. A Quorum at meetings shall be provided by more than half of the members of the Board one of whom shall be the Chairman or his First Deputy. Only those present at a meeting shall have the right of vote. The internal order of the Central Bank of Turkmenistan allow that the Board Meetings and voting be held by teleconferences or, in exceptional cases, by means of confirmed teletype messages or other confirmed electronic means of communications. Should there be a tie , the vote of the Chairman, or in his absence, the First Deputy, shall be determinative.

According to the present Article vacancies in the Board shall not be the ground for consideration of any act or action of the Central Bank as being illegal.

Should there occur in future the violations in the procedure of their appointments or doubt in their professional skills, all the decisions of a Chairman and his Deputies shall be considered legal.

Article 16. Minutes of decisions and meetings of the Board

The Board can take a decision and publish it fully and partially. The minutes of Board Decisions must be confidential and signed by the person who presides at the meeting, by the members present at the meeting of the Board and by the Secretary of the Board.

The Board Secretary shall be appointed by the Chairman from among the specialists of the Central Bank, he shall not be the member of the Board.

Article 17. Board Members' reporting

After being appointed and annually till the expiring date of their powers the members of the Board shall periodically submit the information of their own (or of the members of their families) direct or indirect participation in the activities of commercial structures.

Should it occur that the matter related to the participation mentioned above becomes the subject to the Board's discussion, the member related thereto shall inform about his share and leave the meeting room for the period of discussing and taking decision upon this matter. His absence shall not be counted with the purpose of providing for a quorum.

Article 18. Following work

Former Chairman and former Deputies Chairman shall not take the position of managers of another bank within the period of two years following their resignation from the Central Bank of Turkmenistan.

Article 19. Powers of the management of the Central Bank of Turkmenistan

The Chairman, and in his absence or incapacity to perform his duties the First Deputy, shall be the manager of the Central Bank of Turkmenistan and be responsible for its activities to the Board of the Bank.

The Chairman shall take steps to provide for sound activities of the Bank. He shall:

- assume agreement obligations on behalf of the Bank;
- appoint employees;

- determine agents and correspondent banks;
- represent the Bank in the Court.

With the consent of the Board the Chairman can delegate some of his powers to the other employees of the Central Bank of Turkmenistan.

Article 20. Controller General of the Central Bank of Turkmenistan

A Controller General shall be elected by the voting majority of the Board of the Central Bank of Turkmenistan for the period of seven years. He may resign giving a notice for resignation not less than two months before his resignation and only pursuant to the decision of the Board. A Controller General must be a citizen of Turkmenistan.

A Controller General and other members of the Auditing Committee shall be obliged to carry out the internal control of accounting and financial statements, to perform auditing with the purpose of securing the strict observance of the Laws and Regulations, to submit reports and recommendations on the accounts, accounting documents, budgetary and accounting procedures and the results of the control of the Central Bank of Turkmenistan to the Board.

In commercial banks auditing may be carried out by the Audit Committee of the Central Bank of Turkmenistan or independent Audit Companies with the consent of a Commercial bank.

Article 21. Personnel of the Central Bank of Turkmenistan

The Board of the Central Bank of Turkmenistan shall approve the structure and staff regulation determining the conditions of work in the Central Bank of Turkmenistan.

Hiring and dismissing of the employees shall be carried out by the order of the Chairman of the Central Bank of Turkmenistan.

Article 22. Agents and correspondent banks of the Central Bank of Turkmenistan

The Chairman shall determine agents and correspondent banks of the Central Bank of Turkmenistan within the frameworks and in accordance with the general agreements and conditions of work set by the Board.

Article 23. Conflict of interests

While performing their obligations the Chairman, the First Deputy and all the members of the Board as well as the Controller General and the specialists of the Bank shall not have the right to take another position or to have another work, paid or unpaid. Board Members, specialists of the Central Bank of Turkmenistan can not accept presents or loans for themselves or in favour of the members of his family, business and financial partners, if it affects the performance of their professional duties with the Central Bank of Turkmenistan.

Article 24. Keeping confidence. Non-disclosure of information

No person of those currently working or working before as a member of the Board, employee, auditor or correspondent of the of the Central Bank of Turkmenistan shall

have the right to make available important information, disclose or publicise such kind of information that has been available to him during the performance of his duties with the Central Bank of Turkmenistan, to use such information or to allow information to be used for personal gain. The above mentioned persons shall be obliged to present such information to the Taxation Inspectorate of Turkmenistan. This information may be disclosed outside the Central Bank of Turkmenistan in case such disclosure shall serve as an evidence of a legal action or circumstance related to the legal action committed by the person requesting for such disclosure in a written form.

SECTION III. FINANCIAL PROVISIONS

Article 25. Statutory capital of the Central Bank of Turkmenistan

The statutory capital of the Central Bank of Turkmenistan shall be determined and approved by the President of Turkmenistan and can be increased by the amount offered by the Board of the Central Bank of Turkmenistan. The statutory capital shall not be subject to any claims by creditors.

Article 26. Covering the deficit of the Central Bank of Turkmenistan.

In the case of the balance deficit of the Central Bank of Turkmenistan resulting from the crediting of expenses of the Government, the Cabinet of Ministers of Turkmenistan shall extend to the Central Bank of Turkmenistan bonds in the amount covering the balance deficit. These bonds issued in the form of sight bonds by the State of Turkmenistan shall bear interest at a market rate. The distribution of the above mentioned securities shall be reflected in the budget of the Government.

Article 27. Calculation of the net profit of the Central Bank of Turkmenistan

Every fiscal year's net profit of the Central Bank of Turkmenistan shall be calculated after deductions from income of current expenses for the year, related to in this article, and after the assignment of funds for:

- bad and doubtful debts, decrease of the value of assets and fixed assets and transfers into the fund of social development;

- by the consent of the President of Turkmenistan for any purposes which the Central Bank will deem to be necessary.

Article 28. Distribution of the net profit by the Central Bank of Turkmenistan

The Central Bank shall set up the General Reserve Fund to which at the end of every fiscal year the amount equal to fifty percent of the net profit of the current year shall be transferred until the amount of the General Reserve Fund is equal to the amount of the paid capital of the Central Bank of Turkmenistan. By the consent of the President of Turkmenistan, the amount transferred to the General Reserve Fund for a certain year can be increased to exceed this percent or the total amount can exceed the limits of paid capital of the Central Bank of Turkmenistan. General Reserve Fund shall be used only for compensation of losses of the Central Bank of Turkmenistan. In accordance with this

Article losses shall mean the exceeding of operational expenses over operational revenues, as well as any below zero balances of the Valuation Reserve Account.

By the permission of the President of Turkmenistan the Central Bank of Turkmenistan can establish for certain goals the Special Reserves Fund to which the funds remaining after distribution in accordance with the first part shall be transferred.

The remaining amount of the net profit for a fiscal year shall be used by the Central Bank of Turkmenistan for payments of the securities issued by the Cabinet of Ministers to the Central Bank of Turkmenistan and kept with the Central Bank of Turkmenistan until the transfers to General Reserve or any Special Reserve are carried out.

Article 29. Transference of the net profit

The net profit for a fiscal year remaining after transfers and payments done in accordance with the article 28 of this Law shall be paid to the state within three months after the end of the fiscal year of the Central Bank of Turkmenistan.

Article 30. Limitations for the net profit distribution

No transfers of repayments or payments shall be carried out according to the Articles 28 and 29 if as a result of it the assets of the Central Bank of Turkmenistan are less than the amount of its bonds and paid capital.

SECTION IV. MONETARY FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK OF TURKMENISTAN

Article 31. Monetary policy

The Central Bank of Turkmenistan shall be fully responsible for setting up and implementation of the monetary policy of Turkmenistan, conducted by the President.

Article 32. Open market operations

The Central Bank of Turkmenistan shall participate in the open market with the purpose of buying or selling, directly (purchase in cash and forward purchase) or through the Repurchase Agreement, of securities issued by the Central Bank of Turkmenistan; no other securities shall be used for the purpose mentioned above.

Article 33. Reserve requirements for banks

The Central Bank of Turkmenistan shall have the right to demand that all the banks keep a certain minimum amount of deposits, equal for all of them, on their accounts with the Central Bank of Turkmenistan. The amounts on the deposits shall be dependent on the time of disbursement of their deposits, borrowed funds and other liabilities determined by the Central Bank of Turkmenistan as Reserve Requirements.

Reserve requirements shall be kept in the form of cash or such money deposits on the accounts with the Central Bank which the Central Bank of Turkmenistan can normatively determine from time to time. The Central Bank of Turkmenistan shall adopt a decision on

paying interests on these reserve requirements. Interests on reserves that are kept with the Central Bank of Turkmenistan and exceed normatives shall not be paid.

The amount of reserve requirements kept with the Central Bank of Turkmenistan must not exceed 20 percent of the total of all liabilities of a bank and must not exceed a higher amount required in exceptional cases and determined by the normatives of the Central Bank of Turkmenistan.

Instructions determining or changing reserve requirements or levels of reserve requirements shall indicate the date by which banks must meet new reserve requirements or levels of their maintenance.

Article 34. Responsibility for non-observance of reserve requirements standard

The Central Bank of Turkmenistan may impose on and collect from any bank which fails to maintain reserve requirements at the minimum levels, prescribed in accordance with the Article 33, a levy on the short funds until short funds are filled up. Such levy shall be twice as much as the Central Bank's maximum discount rate.

Article 35. Discount operations of the Central Bank of Turkmenistan

The Central Bank of Turkmenistan shall discount only the following funds presented to the owners of bank accounts:

bills and sight liabilities in manats, subject to payment in Turkmenistan with signatures of three solvent parties, one of which is a bank, and the maturity of up to three months beginning from the date of purchasing them by the Central Bank of Turkmenistan; in exceptional circumstances the Central Bank of Turkmenistan discounts (determines discounts) the funds with the signatures of only two solvent parties, one of which is a bank, and with the maturity of longer than three months but not later than six months beginning from the date of purchasing them by the Central Bank of Turkmenistan; liabilities in manats issued or guaranteed by the Cabinet of Ministers or the Central Bank of Turkmenistan and subject to payment in manats on the territory of Turkmenistan, which are a part of issued securities to be sold to physical and legal entities with the maturity of up to three months beginning from the date of purchasing them by the Central Bank of Turkmenistan. Discount operations are conducted in accordance with the terms and rules (including discount rate) determined by the Central Bank of Turkmenistan. The Central Bank of Turkmenistan has the right refuse to discount any of the above mentioned funds specifying the reason for such a refusal.

Article 36. Credits of the Central Bank of Turkmenistan granted to other banks

On the basis of the terms and rules set up by it, the Central Bank of Turkmenistan can grant to the banks, keeping accounts with the Central Bank of Turkmenistan (the owners of bank accounts), credits secured by the following funds:

- international reserve funds, related to in the second paragraph of the Article 42;
- other liabilities in manats issued or guaranteed and subject to payment on the territory of Turkmenistan including those being the part of state securities subject to distribution among legal and physical entities;

- consignment notes and documents certifying the right for possession of other goods, insured from losses, damages or disadvantages;
- deposits with the Central Bank of Turkmenistan or with any depository, acceptable for the Central Bank of Turkmenistan, any funds which the Central Bank is allowed to sell and buy or to dispose of pursuant to the present Law including gold and other precious metals without limitations.

Loans granted by the Central Bank of Turkmenistan to banking accounts owners are given only to their head banks in Turkmenistan.

Rates on discount and credit operations of the Central Bank of Turkmenistan shall be determined and published by the normative documents of the Central Bank of Turkmenistan.

Article 37. Credit and interest rates control

By its normative acts the Central Bank of Turkmenistan can determine the temporary conditions and limiting measures towards the principal amount of any type of credit granted by the banking institutions, or towards the interest rates or other payments on any type of a granted credit, or any deposits obtained from the banks, in the amount sufficient for achieving the aims of monetary policy.

Instructions, issued according to the provision 3 of article 36, shall specify that they shall be used only after their publication.

SECTION V. POLICY OF SETTING UP EXCHANGE RATES, INTERNATIONAL RESERVES, APPRAISING RESERVE ACCOUNT AND EXCHANGE CONTROL

Article 38. Monetary unit of Turkmenistan

Terms and conditions of circulation of the monetary unit of Turkmenistan shall be regulated by the Law of Turkmenistan "On the Monetary unit of Turkmenistan".

Article 39. Exchange rates policy

The exchange rates policy of Turkmenistan shall be established and authorised by the Central Bank of Turkmenistan.

The Central Bank of Turkmenistan shall carry out the currency control. All reports and information, stipulated by the provisions of this Law, shall be performed through the Central Bank of Turkmenistan.

Article 40. Obligations of the Central Bank of Turkmenistan

The Central Bank of Turkmenistan shall be responsible for:

- setting up the rules and provisions related to the foreign currency operations;

- granting and revoking of licences, control and regulation of the activities of foreign exchange dealers including banks, in accordance with the exchange rules established by the Central Bank of Turkmenistan;
- establishment of the limits of dealers' currency positions, including banks;
- keeping and administrating of International Reserves of Turkmenistan.

Article 41. Settlement and payment agreements

The Central Bank of Turkmenistan may sign clearing and settlement agreements or, with the same purpose, any other contracts with state organisations abroad, both on its own behalf and on the behalf and by the task of the President of Turkmenistan.

Article 42. International reserves

The Central Bank of Turkmenistan shall keep and manage International Reserves which shall comprise all or one of the following assets (excluding non-liquid assets which are liabilities or which can not be possibly allocated by the Central Bank of Turkmenistan during a short period of time):

- gold, foreign currency in the form of banknotes or coins, or foreign currency balances of bank accounts held abroad;
- any other internationally recognised reserve funds, including: the right to purchase from the International Monetary Fund a part of its reserves;
 - special drawing rights of the International Monetary Fund;
 - bills of exchange and promissory notes payable in foreign currencies; issued or guaranteed by foreign governments, or central banks, or international financial institutions, liabilities, contracts on purchase and repurchase of securities in hard foreign currencies.

The Central Bank of Turkmenistan shall maintain the international reserves at a level enabling Turkmenistan to conduct monetary policy and exchange rates policy and to perform timely settlements of Turkmenistan on international transactions.

In case of a decrease of International Reserves or danger of such a decrease to the extent which makes it impossible for Turkmenistan to conduct its monetary policy, exchange rates policy and to timely settle the accounts of the country on international transactions the Central Bank of Turkmenistan shall submit to the President of Turkmenistan a report on the situation with the International Reserves and the causes which have led or may lead to such a decrease, together with such recommendations as it considers necessary to remedy the situation.

Before the correction of the situation the Central Bank of Turkmenistan shall make such further reports and recommendations.

Article 43. Profits and losses of the Central Bank of Turkmenistan from foreign exchange operations

Profits or losses registered by the Central Bank of Turkmenistan during the current financial year, which resulted from the changes in the value of assets or liabilities on the

balance of the Central Bank of Turkmenistan in a form of special drawing rights or foreign currency as the result of any changes in the exchange rates of gold, special drawing rights or foreign currencies in terms of the manat shall be treated as follows:

- the net total amount of such profits or losses shall be offset by a corresponding amount on the Valuation Reserve Account in the balance sheet of the Central Bank of Turkmenistan;
- if the amount recorded in the Valuation Reserve Account corresponds to net foreign exchange losses, that amount shall be covered by liabilities bearing interest at market rates, issued by the Cabinet of Ministers of Turkmenistan to the Central Bank of Turkmenistan and held by the Central Bank of Turkmenistan on the Valuation Reserve Liabilities Account of the balance sheet. Within four months after the end of a financial year the aggregate face value of such liabilities held by the Central Bank of Turkmenistan shall be increased or decreased as required to restore the balance between that amount and the amount recorded in the Valuation Reserve Account as net foreign currency losses as of the end of that financial year;
- neither net profits nor net losses referred to in this Article shall be included in the computation of annual net income of the Central Bank of Turkmenistan.

Article 44. Rules of foreign exchange transactions control

The Central Bank of Turkmenistan shall be responsible for the issuance of rules and regulations, instructions and statements on foreign currency that are required for carrying out exchange policy on the territory of Turkmenistan.

SECTION VI. RELATIONS OF THE CENTRAL BANK OF TURKMENISTAN WITH THE STATE

Article 45. Banker, Adviser and Fiscal Agent

The Central Bank of Turkmenistan shall act as the Banker, Adviser and Fiscal Agent to Turkmenistan.

The Central Bank of Turkmenistan shall inform Ministry of Economy and Finance on issues of state budget planning.

Article 46. Consultations and reporting on the credits to the state sector

According to the reporting rules of the Central Bank of Turkmenistan Ministry of Economy and Finance of Turkmenistan shall notify the Central Bank of Turkmenistan of all transactions on loans of the Cabinet of Ministers of Turkmenistan

Article 47. The Central Bank of Turkmenistan as a depository

The Central Bank of Turkmenistan may accept deposits from the Cabinet of Ministers of Turkmenistan. Acting as a depository the Central Bank of Turkmenistan shall accept and grant funds, register them and deliver other relevant financial services. The Central Bank

of Turkmenistan shall make payments within the limits of the amounts deposited on such accounts against payment documents. The Central Bank of Turkmenistan shall decide payments of interests on such deposits.

The Central Bank of Turkmenistan may authorise another financial institutions to accept such deposits in compliance with the terms prescribed by the Central Bank of Turkmenistan.

Article 48. Functions of a fiscal agent

In accordance with terms and conditions, agreed upon by the President of Turkmenistan, the Central Bank of Turkmenistan shall act as the fiscal agent of Turkmenistan on the following matters:

- selling liabilities, issued by the Cabinet of Ministers or, as a transfer agent, as well as performing another functions related to above;
- paying a principal amount, interests and other amounts subject to payment against securities, related to in paragraph 2 of this Article;
- performing payment operations on the accounts of the Cabinet of Ministers of Turkmenistan in the Central Bank of Turkmenistan.

Article 49. Credits of the Central Bank of Turkmenistan to the Cabinet of Ministers

The Central Bank of Turkmenistan may give loans to the Cabinet of Ministers with the maturities not exceeding 6 months, in compliance with general limits prescribed by this Article, except as otherwise provided by legislative acts. The Central Bank of Turkmenistan may grant credits to the Cabinet of Ministers with maturities exceeding 6 months, such credits being connected or related to subscription fees and payments for the membership of Turkmenistan in international organisations.

The Central Bank of Turkmenistan shall give loans to the Cabinet of Ministers which shall be allocated, have a nominal value and repaid only in manats. All similar loans, bearing interests at market rates, are secured by sight liabilities, also bearing market interest. Such collaterals in a form of liabilities shall have the same maturity equal to the maturity of the loans which are secured by them, such collaterals being issued by the Cabinet of Ministers and submitted to the Central Bank of Turkmenistan. Each loan shall be given on the basis of a credit agreement done in a written form between the Cabinet of Ministers of Turkmenistan and the Central Bank of Turkmenistan. The agreement shall clearly state the amount of the loaned capital, its maturity, the applicable interest rate and other costs.

The aggregate amount of the loan extended by the Central Bank of Turkmenistan to the Cabinet of Ministers and subject to reimbursement shall not exceed 8 (eight) percent of the average annual normal state budget revenue for the three previous financial years; under this Article the term "revenues" shall not include loans, subsidies and other kinds of financial assistance. In exceptional cases, the Central Bank of Turkmenistan may by its regulation waive the limitation, prescribed by paragraph 4 of this Article, but only if such a waiver corresponds to the monetary policy objectives of the Central Bank of Turkmenistan and if the aggregate amount of the loans extended by the Central Bank of

Turkmenistan to the Cabinet of Ministers and subject to reimbursement at no time exceeds 10 percent of the amount of average annual normal state budget revenue of three previous financial years.

In case there is a danger of exceeding the limit, prescribed in paragraph 5 of this Article, the Central Bank of Turkmenistan shall submit to the President a report on the amount of the outstanding loans extended to the Cabinet of Ministers and the reasons for such exceeding, as well as recommendations as it considers necessary to prevent or to remedy the situation. If the limit, prescribed in paragraph 4 of this Article, is exceeded in accordance with paragraph 5 of this Article, the Central Bank of Turkmenistan shall make such further reports and recommendations, necessary for rectifying and preventing similar situation in the next financial year.

Article 50. Acquisition of Government securities by the Central Bank of Turkmenistan

Acquisition by the Central bank of Turkmenistan on its account of the securities issued by the Cabinet of Ministers shall be regarded as crediting the Cabinet of Ministers by the Central Bank of Turkmenistan. General limitations, stipulated under Article 49, with the exception of cases when such acquisition complies with monetary policy objectives of the Central Bank of Turkmenistan, shall be applied to the acquisition of government securities at the secondary market by the Central Bank of Turkmenistan.

SECTION VII. RELATIONS OF THE CENTRAL BANK OF TURKMENISTAN WITH OTHER BANKS

Article 51. Banking licensing and supervision

The Central Bank of Turkmenistan shall be exclusively responsible for the banking licensing and the results of supervision of all banks, which were granted a licence of the Central Bank of Turkmenistan. The Central Bank of Turkmenistan shall be empowered:

- to issue appropriate rules, guidelines and instructions or other standards in order to ensure the sound functioning of the financial system in accordance with legislative acts by means of granting relevant licences and implementing normatives and control procedures;
- to attend any bank institutions and to inspect accounts, records, documents, to obtain from banks information required for the proper performance of its functions of bank supervision.

Article 52. Co-operation with foreign bank supervision

The Central Bank of Turkmenistan shall co-operate with other foreign bank supervisory authorities on a basis of reciprocity. As part of such co-operation, the Central Bank of Turkmenistan may exchange with such foreign banking supervisory authorities the information related to any bank that operates within the limits of their jurisdiction, provided the confidentiality of the information received shall be kept by such an authority.

Article 53. Accounting with the Central Bank of Turkmenistan

The Central Bank of Turkmenistan shall be authorised to open correspondent accounts for other banks and to accept deposits from them in accordance with terms and conditions prescribed.

Article 54. Creditor of the last resort

In compliance with terms and conditions established, the Central Bank of Turkmenistan shall be a creditor of the last resort for the holders of the banks' accounts, by way of granting to them or in their favour loans, with the exception of loans under Article 36, and contingent liabilities with a maturity not exceeding 3 months; each such loan or liability shall be guaranteed by the assets stipulated in Article 36 unless the Central Bank of Turkmenistan decides that the extending of a credit or liability without a guarantee are justified by exceptional cases.

The Central Bank of Turkmenistan shall grant unsecured loans or contingent liability only in the following cases:

- in case of exceptional circumstances of granting such a credit or liability to meet the liquidity requirements of the owner of the banks' accounts and to comply with public benefit;
- by the consent of the Minister of Economy and Finance to extend such credit or liability within 24 hours after the Central Bank of Turkmenistan submits this issue

The Central Bank of Turkmenistan can prolong such credits and liabilities in accordance with the acceptable for the Central Bank of Turkmenistan program stipulating the acceptance by an appropriate bank of the measures of meeting liquidity requirements of the Central Bank of Turkmenistan.

Article 55. Clearing and settlement services

Central Bank of Turkmenistan may assist other banks in creating conditions for delivering services on clearing and settlement interbanking payments, including check payments or other payment instruments, to establish the procedure and rules, regulating such operations.

Article 56. Banking information system

The Central Bank of Turkmenistan shall establish and maintain bank information system.

SECTION VIII. ACCOUNTS, FINANCIAL STATEMENTS, AUDIT AND REPORTING OF THE CENTRAL BANK OF TURKMENISTAN

Article 57. Fiscal year of the Central Bank of Turkmenistan

A fiscal year of the Central Bank of Turkmenistan shall begin on January, 1 and shall end on December, 31 (calendar year).

Article 58. Accounting

The Central Bank of Turkmenistan shall, on a continuous basis, keep appropriate accounts and other documents to properly reflect its operations and financial position in accordance with generally accepted accounting principles.

Article 59. Financial report of the Central Bank of Turkmenistan

The Central Bank of Turkmenistan shall prepare a financial report at the end of each fiscal year. This report shall include a balance sheet, profit and loss statement and other relevant reports. A comparative analysis of the present and previous reports shall be compiled.

Article 60. Auditing of the accounts of the Central Bank of Turkmenistan

The accounts and records of the Central Bank of Turkmenistan shall be audited by an external auditor appointed by the President of Turkmenistan.

Article 61. Submitting and publication of balance sheets and documents of the Central Bank of Turkmenistan

Three months after the end of each fiscal year the Central Bank of Turkmenistan shall submit to the President of Turkmenistan and to Mejlis of Turkmenistan the following documents:

- copy of its annual report signed by auditors;
- an annual statement on operations and financial position;
- a report on economic situation.

After the submission of these documents the Central Bank of Turkmenistan shall publish statements and documents, specified in paragraphs 2, 3 of this Article.

Article 62. Reporting of the Central Bank of Turkmenistan on Monetary Policy

Within six months after this Law comes into force and once a year thereafter the Central Bank of Turkmenistan shall submit to the President of Turkmenistan a report on conducting the monetary policy by the Central Bank of Turkmenistan, and on the policy of foreign exchange control. This report shall contain:

- a description and explanation of the reasons for conducting a certain monetary policy by the Central Bank of Turkmenistan for the period of 12 months;
- a description of the principles that the Central Bank of Turkmenistan intends to follow in the issues of adoption and implementation of the monetary policy for the next two years or for a longer period of time;
- a review and assessment of the policy adopted and conducted by the Central Bank of Turkmenistan for the period of time of the last annual report.

Article 63. Activity prohibited for the Central Bank of Turkmenistan

Except for the special cases stipulated in this Law the Central Bank of Turkmenistan shall be prohibited to perform the following:

to grant the financial assistance in a form of direct borrowing, non-repaid loan or contingent liability, by means of obtaining a loan, share loan or other liability, by the acceptance of a debt or a contingent liability and in any other form;

to be involved in the commercial activities, to purchase shares of any corporation or company including shares of any other financial institution, or to purchase a share in any financial, commercial, agricultural, industrial and other structure;

to acquire by purchasing or leasing or in any other way the real rights for ownership of real estate or a share in it, except for the cases when it is necessary or prudential for providing premises for performing administrative activities, staff location and in other circumstances related to the fulfilment of its functions prescribed in this Law.

Article 64. Collection of statistical data

All the Ministries, departments, commercial banks, enterprises of Turkmenistan, shall submit to the Central Bank of Turkmenistan, without indemnity, all necessary statistical, accounting data and other materials for the performance by the Central Bank of Turkmenistan of all the functions it is responsible for.

The form of reporting and terms of submitting necessary information shall be determined by the Central Bank of Turkmenistan in compliance with the current legislation.

The Central Bank of Turkmenistan shall put in order the rules regulating collection, compiling and distribution of statistical data within its competency.

The Central Bank of Turkmenistan shall determine what kind of statistical information must be submitted.

Article 65. Exemption of the Central Bank of Turkmenistan from taxes

The Central Bank of Turkmenistan, its assets, property and income, and its operations and transactions shall be exempt from all taxes, collections and duties.

Article 66. Rules of the operations of the Central Bank of Turkmenistan

The Central Bank of Turkmenistan shall have autonomous regulatory power to perform its tasks and objectives. All regulations, orders and instructions issued by the Central Bank of Turkmenistan related to more than one institution shall be published in the official press and shall come into force on the date of publication or later as determined in these rules, orders or instructions. The Central Bank of Turkmenistan shall keep available for public the book of regulations, orders and instructions.

SECTION IX. FINAL PROVISIONS

Article 67. On entering into force of the present Law

This Law shall enter into force on the date of its publication.

SAPARMURAT TURKMENBASHY PRESIDENT OF TURKMENISTAN

ASHGABAT OCTOBER 8, 1993 With the amendments by Mejlis of Turkmenistan of
23rd of September, 1994