

LAW OF THE KYRGYZ REPUBLIC

On the National Bank of the Kyrgyz Republic

(As amended by Laws of the Kyrgyz Republic of February 12, 2007 #17; May 30, 2007 #75; June 4, 2007 #77; August 9, 2007 #143, May 16, 2008 #87, May 19, 2008 #90, July 18, 2008 #154; October 17 2008 # 224; October, 17 2008 #231; November 3, 2008 #236; January 23, 2009 #21; March 28, 2009 #94, March 28, 2009 #95, May 19, 2009 #162)

Chapter I. General Provisions

Chapter II. Reporting of the Bank of Kyrgyzstan

Chapter III. Capital of the Bank of Kyrgyzstan

Chapter IV. National currency of the Kyrgyz Republic

Chapter V. Monetary regulation

Chapter VI Relations between the bank of Kyrgyzstan and the government

Chapter VII. Relations between the bank of Kyrgyzstan and other banks

Chapter VIII. Foreign economic Relations and Foreign Exchange Transactions

Chapter IX. management Organization in the bank of Kyrgyzstan

Chapter X. Employees of the Bank of Kyrgyzstan

Chapter XI. Final Provisions

CHAPTER I. GENERAL PROVISIONS

Article 1. National Bank of the Kyrgyz Republic

1. The National (Central) Bank of the Kyrgyz Republic (hereinafter referred to as *the Bank of Kyrgyzstan*) shall be the bank of the Kyrgyz Republic and shall fall under ownership of the Republic.

2. The Bank of Kyrgyzstan shall be a legal entity with self-sustaining organizational-legal form (The Central Bank of the Kyrgyz Republic) and carry out its activities in compliance with the present law and shall not seek profit.

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

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

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

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

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

Article 2. Objectives of the Bank of Kyrgyzstan

The basic goal of the activity of the Bank of Kyrgyzstan is to achieve and maintain stability of prices by way of implementing the appropriate monetary policy in accordance with the present Law.

Article 3. Major Objective the Bank of Kyrgyzstan

The major objective facilitating achievement of the goal (or subordinated to the basic goal) of the Bank of Kyrgyzstan activity, shall be to support the purchasing capacity of the national currency, ensure effectiveness, safety and reliability of the banking and payment systems of the Republic for promotion of long-term economic growth of the republic.

(In the edition of the Kyrgyz Republic Law No.90 of May 19, 2008)

See: Resolution of the NBKR Board of Directors No.24/10 dated September 15, 2004 "On Standards for Providing Confidentiality of Information of the Banking System Institutions of the Kyrgyz Republic"

Article 4. Functions of the Bank of Kyrgyzstan

The Bank of Kyrgyzstan shall perform the following functions:

- 1) Determination and implementation of the monetary policy of the Kyrgyz Republic;
- 2) Development and implementation of a uniform foreign exchange policy;
- 3) Exercising the exclusive right to issue currency;
- 4) Acting as the tender of last resort to banks in accordance with the present Law;

- 5) establishes rules for banking transactions, including transactions executed on the basis of Islamic principles of the banking and financing, accounting and reporting for the banking system;
- 6) Issuance of licenses for banking operations, for pawnshops' activities, legal entities' attracting funds from the population on terms of maturity, recovery and repayment in accordance with the legislation of the Republic and keeping the register of the issued licenses;
- 7) Regulation and supervision of the banks' and financial and crediting institutions' activity licensed by the Bank of Kyrgyzstan;
- 8) Facilitation of effective operation of the payments system and inter-bank settlements;
- 9) Regulating foreign currencies, including establishment of standards for regulating foreign exchange operations, as well as operations of purchasing, selling and exchanging foreign currencies in accordance with the legislation of the Kyrgyz Republic;
- 10) Owning and managing the official foreign exchange reserves in accordance with the present Law;
- 11) Development of the balance of payments of the Kyrgyz Republic in cooperation with the National Statistics Committee;
- 12) Representing interests and acting on behalf of the Kyrgyz Republic at international meetings, conferences and organizations related to the monetary and banking policies;
- 13) Carrying out other functions, exercising authorities and rights in accordance with the legislation of the Kyrgyz Republic.

(As amended by the Law of the KR dated March 28, 2009 #94)

Article 5. Operations of the Bank of Kyrgyzstan

To achieve the objectives established by the present Law, the Bank of Kyrgyzstan shall have the right to carry out the following operations under the conditions set up by it:

- 1) to grant credit facilities for the term of not more than six months, guaranteed by securities and other assets specified by the Bank of Kyrgyzstan in accordance with the present Law and the legislation of the Kyrgyz Republic;

See: Resolution of the NBKR Board of Directors No.34/4 dated December 24, 2004 "On the Draft Regulation "On Overnight Credit of the National Bank of the Kyrgyz Republic";

Resolution of the NBKR Board of Directors No.24/1 dated July 27, 2005 "On the Draft Regulation "On Intraday Credit of the National Bank of the Kyrgyz Republic";

- 2) to carry out banking operations on servicing banks and other financial and crediting institutions;
- 3) to buy and sell checks, promissory notes and bills of exchange of first-rate issuers, backed, as a rule, by commodities, with maturity of not more than six months;
- 4) to buy and sell securities issued by the Government of the Kyrgyz Republic in the secondary market;
- 5) to buy and sell securities issued by the Bank of Kyrgyzstan as well as securities issued by foreign states and international organizations;

See: Resolution of the NBKR Board of Directors No.28/2 dated September 14, 2005 "On the Revised Version of the Regulation "On Issuance, Allocation, Circulation and Maturity of Notes of the National Bank of the Kyrgyz Republic";

- 6) to buy and sell precious metals and other types of currency valuables;
- 7) to buy and sell foreign currencies;
- 8) to open accounts in banks and financial institutions;
- 9) to act as an intermediary in transactions with funds provided by international financial institutions for financing various projects, under the conditions established by the Board of Directors of the Bank of Kyrgyzstan;
- 10) to carry out other banking operations not prohibited by the legislation.

Article 6. Organization of Activities of the Bank of Kyrgyzstan

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

The interference of any government body into resolution of the issues referred to the competence of the Bank of Kyrgyzstan by the present Law shall be prohibited.

2. The Bank of Kyrgyzstan shall coordinate its policy with the Government of Kyrgyzstan to the extent, which does not contradict its major tasks and objectives.

Article 7. Regulations of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall provide clarifications on the banking terminology and other issues referred to its competence by the present and other laws, and shall develop normative acts, implementation of which shall be mandatory for all banks, legal entities and individuals engaged in certain banking operations based on licenses issued by the Bank of Kyrgyzstan, as well as for customers thereof and executive bodies.

The Bank of Kyrgyzstan has the right to promulgate regulatory acts (obligatory for the performance by the banks) implementing operations in accordance with the Islamic principles of the banking and financing, to establish additional standards of capital adequacy, additional requirements to accounting and financial reporting, as well as the requirements for the members of Shariah Council.

2. Normative acts of the Bank of Kyrgyzstan directly involving the rights, freedoms and obligations of citizens shall be registered in accordance with the procedure established by the legislation for state registration of regulatory legal acts.

3. The normative acts of the Bank of Kyrgyzstan shall be deemed effective from the date of publication in the official bulletin of the Bank of Kyrgyzstan, except for cases provided in the normative act itself. The regulatory acts of the Bank of Kyrgyzstan shall not have retroactive effect.

See also: Resolution of the NBKR Board of Directors No.19/6 dated August 12, 1998 "On the Regulation "On Normative Acts of the National Bank of the Kyrgyz Republic";

(As amended by the Law of the KR dated March 28, 2009 #94)

CHAPTER II.

REPORTING OF THE BANK OF KYRGYZSTAN

Article 8. Reporting by the Bank of Kyrgyzstan

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

2. The Bank of Kyrgyzstan shall maintain its financial accounting and reporting on a regular basis, reflecting its operations and financial position in accordance with the international accounting practice.

3. The Bank of Kyrgyzstan shall develop its annual financial statement consisting of the balance sheet of the Bank of Kyrgyzstan, profit and loss statement and other related reporting documents, identified by the Board of Directors of the Bank of Kyrgyzstan.

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

Article 9. Audit by the Bank of Kyrgyzstan

1. Based on the results of the tender, carried out by the Bank of Kyrgyzstan, the Jogorku Kenesh of the Kyrgyz Republic during the period not later than six months before the end of the financial year of the Bank of Kyrgyzstan considers and approves the audit organization with the recognized international reputation and minimum 5 years experience in conducting an audit of central (national) banks.

The same audit organization cannot be considered and approved by the Jogorku Kenesh of the Kyrgyz Republic more than twice in succession.

2. Audit of the Bank of Kyrgyzstan shall be carried out in accordance with the international standards of audit and can be carried out by any audit organization, registered in the Kyrgyz Republic and possessing the required license and also, by a foreign audit organization, that may not have a license for conducting an audit on the territory of the Kyrgyz Republic, but should satisfy the requirements, indicated in clause 1 of this article.

The licenses of such foreign organizations are recognized on the territory of the Kyrgyz Republic in case of confirmation of their legal capacity.

3. The Bank of Kyrgyzstan, according to the contract, concluded with the audit organization, submits the reporting and information, required for auditing in accordance with the international auditing practice.

Service payment of audit organization by the auditing of the Bank of Kyrgyzstan is made at the expense of own funds of the Bank of Kyrgyzstan.

(As amended by the Law of the KR dated November 3, 2008 #236)

Article 10. Annual Report of the Bank of Kyrgyzstan

1. Chairman of the Bank of Kyrgyzstan presents annually the report on the Bank of Kyrgyzstan activity to Jogorku Kenesh no later than April 30 of the year, next to the reporting one. Jogorku Kenesh of the Kyrgyz Republic in accordance with the Kyrgyz Republic Constitution regards the report of the Chairman of the Bank of Kyrgyzstan before July 1 of the year, next to the reporting one. Hearing to the report of the Bank of Kyrgyzstan Chairman in Jogorku Kenesh of the Kyrgyz Republic is performed with regard to self-sufficiency and independency of the Bank of Kyrgyzstan and in accordance with the regulations of the Kyrgyz Republic Constitution and the Present Law.

2. Report of the Chairman of the Bank of Kyrgyzstan on the Bank of Kyrgyzstan activity shall include:

- 1) Financial data reporting of the bank of Kyrgyzstan, certified by financial audit;
- 2) Information about the Bank of Kyrgyzstan activity during reporting period;
- 3) Other information determined by the Bank of Kyrgyzstan Board.

4. The Bank of Kyrgyzstan shall publish major analytical data included in the annual report and related to the situation in the financial and banking systems of the Republic in mass media every year.

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008, No.90 of May 19, 2008)

Article 11. Information on the Policy Followed by the Bank of Kyrgyzstan

1. Twice a year, no later than July 1 and December 31, the Bank of Kyrgyzstan shall submit the official information on basic trends in the policy followed by the Bank of Kyrgyzstan, in the monetary area and on the issues related to the development of the financial and banking sectors of the Republic to the President of the Kyrgyz republic, Jogorku Kenesh of the Kyrgyz Republic, Government of the Kyrgyz Republic.

2. The information of the basic trends of the activities of the Bank of Kyrgyzstan shall be published in mass media.

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

11-1 Budget of the Bank of Kyrgyzstan

The budget of income and expenditure and the budget of the Bank of Kyrgyzstan development for the next year are approved by the Bank Board no later than December 31 of the previous year in accordance with the major parameters of the monetary-credit policy and the order established by the President of the Kyrgyz Republic.

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

CHAPTER III.

CAPITAL OF THE BANK OF KYRGYZSTAN

Article 12. Capital of the Bank of Kyrgyzstan

1. The capital of the Bank of Kyrgyzstan shall consist of the paid-up equity capital, rest fund, reserve of asset and obligation revaluation and undistributed profits and losses.

2. The Bank of Kyrgyzstan has a paid authorized capital (hereinafter referred to as 'authorized capital') in the amount of 1 billion soms. Authorized capital is formed through payments of funds taken from income before its distribution. The Bank of Kyrgyzstan cannot alienate and transfer as a bail its authorized capital.

3. The amount of the equity capital of the Bank of Kyrgyzstan may not be increased or decreased without making corresponding amendments in the present Law.

4. Rest fund if formed in accordance with the Article 13 of the Present Law.

5. Reserve of asset and obligation revaluation is formed in accordance with the articles 8 and 13 of the present Law.

6. Undistributed profits and losses are determined as the difference between income and expenditure, that took place during fiscal year in accordance with the Article 8 of the Present law till the moment of distribution or paying off this profit or loss that is performed in accordance with the Article 13 of the Present Law.

(As amended by the Law of the KR dated May 16, 2008 #87, March 28, 2009 #95)

Article 13. Reserves and Profits of the Bank of Kyrgyzstan

1. Kyrgyzstan Bank income is determined by the results of financial year after accounting of all profits and expenditures took place in the given period in accordance with article 8 of this Law and clause 3 of this article.

2. Unrealized income and loss consist in unrealized profits and expenditures from revaluation of gold-monetary assets and liabilities repulsed in the capital at the account of reserve by revaluation of gold-monetary assets and liabilities.

3. If the reserve by revaluation of gold-monetary assets and liabilities has negative balance, the whole given negative balance shall be included in income for distribution, implemented in accordance with clause 4 of this article.

4. Kyrgyzstan Bank income, calculated in accordance with clause 3 of this article, is distributed as follows:

- 1) If the amount of equity capital and rest fund of the Bank will be less than 10% from the Bank of Kyrgyzstan monetary obligation by the fiscal year results, than 70% of profit shall be transferred to the Kyrgyz Republic government balance income. Profit balance after transference to the government balance income is transferred to the Bank of Kyrgyzstan rest fund;

2) if, according to the results of financial year the amount of authorized capital and compulsory reserve is equal to or exceeds 10 percents from monetary liabilities of Kyrgyzstan Bank, 100 percents of income, as well as one third from

the amount of the indicated excess at the expense of compulsory reserve, but within the range of the balance of this reserve, are transferred to the profit of state budget of the Kyrgyz Republic.

Income transfer is made on the expiry of financial year, after carrying out of independent external audit and approval of annual report by the Board of Kyrgyzstan Bank.

With the purposes of execution of this article monetary liabilities of Kyrgyzstan Bank consist in:

the notes and coins, issued by the Bank of Kyrgyzstan;

financial liabilities by the instruments of money-and-credit regulation;

the accounts of residents of the Kyrgyz Republic, opened in the Bank of Kyrgyzstan, including the accounts of the Government of the Kyrgyz Republic and any other financial liabilities towards the Government of the Kyrgyz Republic, as well as the accounts of the Agency of deposits protection of the Kyrgyz Republic;

the accounts in national currency of bank-non-residents of the Kyrgyz Republic, opened in the Bank of Kyrgyzstan.

5. If by the results of financial year taking into consideration clause 3 of this article the Bank of Kyrgyzstan has a loss, this loss is paid off by the reserve on revaluation of gold-monetary assets and liabilities and compulsory reserve within the range of its balance.

6. If by the results of financial year and with consideration of clause 3 of this article the Bank of Kyrgyzstan has a loss, not paid off by compulsory reserve and reserve by revaluation of gold-monetary assets and liabilities, the Government of the Kyrgyz Republic pays off this loss for compensating capital up to the amount fixed in clause 2 article 2 of this Law through direct transfer of funds to the Bank of Kyrgyzstan.

(As amended by the Law of the KR dated May16, 2008 #87, March 28, 2009 #95)

CHAPTER IV

NATIONAL CURRENCY OF THE KYRGYZ REPUBLIC

Article 14. Monetary Unit

1. The monetary unit (the currency) of the Kyrgyz Republic shall be the som. One som consists of 100 tyins.
2. The cash currency shall be issued in the form of bank notes and coins.

Article 15. Issuance of Currency

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

Article 16. Legal Tender

1. Som is the only legal tender in the territory of the Kyrgyz Republic which both legal entities and individuals shall accept without limitations.
2. In the case of unjustified refusal to accept soms as a legal tender, officials and citizens shall bear responsibility in accordance with the legislation of the Kyrgyz Republic.
3. Forgery and illegal reproduction of the currency of the Kyrgyz Republic shall be prosecuted under the law.

Article 17. Value of Som in Terms of Other Currencies

1. The Bank of Kyrgyzstan shall announce the official rate of exchange between som and currencies of other countries.
2. Exchange operations between som and other currencies in the territory of the Kyrgyz Republic shall not be restricted.

Article 18. Organization of Cash Circulation

To organize the cash circulation in the territory of the Kyrgyz Republic, the Bank of Kyrgyzstan shall:

- 1) develop and approve the procedure for conducting cash operations for banks and financial institutions licensed by the Bank of Kyrgyzstan;
- 2) forecast the required volumes for issuing bank notes and coins;
- 3) ensure creation of reserves of bank notes and coins and place orders for manufacturing the currency (bank notes and coins);
- 4) establish general requirements for safe-keeping, transportation and collection of cash currency for banks;
- 5) establish the procedure for the fitness of bank notes and coins for use as currency in making payments;
- 6) identify security signs and the procedure for replacing the currency issued for circulation, as well as the procedure for annihilation of bank notes and coins that are damaged or withdrawn from circulation;
- 7) use other ways and methods of regulation accepted in the international practice.

CHAPTER V

MONETARY REGULATION

Article 19. Monetary Policy of the Bank of Kyrgyzstan

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

Article 20. Regulation of the Money Stock in Circulation

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

- 1) purchase and sale of securities issued and guaranteed by the Government of the Kyrgyz Republic;
- 2) purchase and sale of securities issued and guaranteed by the Bank of Kyrgyzstan;

See: Resolution of the NBKR Board of Directors No.28/2 dated September 14, 2005 “On the Revised Version of the Regulation “On Issuance, Allocation, Circulation and Maturity of Notes of the National Bank of the Kyrgyz Republic”;

- 3) purchase and sale of foreign currencies;
- 4) changing the size of credits granted by the Bank of Kyrgyzstan and the interest rate on them;
- 5) changing the volume of required reserves deposited with the Bank of Kyrgyzstan;
- 6) other ways and methods, accepted in the international practice including those according to the Islamic principles of banking and financing.

(As amended by the Law of the KR dated March 28, 2009 #94)

Article 21. Securities Issued by the Bank of Kyrgyzstan

The Bank of Kyrgyzstan with the purposes of carrying out of money-and-credit policy has a right to issue securities and implement all kinds of operations with them in accordance with the accepted international practice, including those in accordance with the Islamic principles of the banking and financing.

See: Resolution of the NBKR Board of Directors No.28/2 dated September 14, 2005 “On the Revised Version of the Regulation “On Issuance, Allocation, Circulation and Maturity of Notes of the National Bank of the Kyrgyz Republic”;

(As amended by the Law of the KR dated March 28, 2009 #94)

Article 22. Required reserves

1. The Bank of Kyrgyzstan shall establish the amount of required reserves for banks to be deposited in the Bank of Kyrgyzstan for a fee.

2. The Board of Directors of the Bank of Kyrgyzstan shall establish the amount, rules of calculation and the procedure for depositing required reserves, as well as penalties for the failure to meet them.

See: Regulation on Required Reserves (approved by Resolution of the NBKR Board of Directors No.22/4 dated August 27, 2004)

Article 23. Regulation of Interest Rates Level

The Bank of Kyrgyzstan shall regulate the banks' interest rates level in the Kyrgyz Republic by means of monetary policy instruments.

CHAPTER VI

RELATIONS BETWEEN THE BANK OF KYRGYZSTAN AND THE GOVERNMENT

Article 24. Ban on Lending to the Government of the Kyrgyz Republic

1. The Bank of Kyrgyzstan shall not be authorized to grant loans to the Government of the Kyrgyz Republic and other government bodies.

2. The Bank of Kyrgyzstan shall not be authorized to provide financial assistance, in any form, to government authorities as well as to economic partnerships or associations.

Article 25. Operations with Securities Issued by the Government of the Kyrgyz Republic

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

See:

Resolution of the NBKR Board of Directors No.24/1 dated July 27, 2005 “On the Draft Regulation “On Intraday Credit of the National Bank of the Kyrgyz Republic”;

Article 26. Deposit Acceptance

1. The Bank of Kyrgyzstan shall act as a depository bank and render banking services to the Government of Kyrgyzstan only with regard to accounts opened by the Treasury of the Kyrgyz Republic or the Ministry of Finance of the Kyrgyz Republic in accordance with international treaties (agreements) ratified in accordance with the procedure established in the legislation and the terms of the agreement.
2. Beside deposits received in accordance with 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 crediting institutions, in accordance with the procedure determined by the Bank of Kyrgyzstan and provisions of the relevant agreement.
3. Payment operations shall be executed within the amounts of funds on such accounts, if not stipulated otherwise in the agreements on correspondent relations.

Article 27. The Role of the Bank of Kyrgyzstan as the Fiscal Agent and Adviser

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

As the Fiscal Agent of the Government of the Kyrgyz Republic the Bank of Kyrgyzstan may perform the agent's functions related to servicing the external debt of the Government of the Kyrgyz Republic.

2. The Bank of Kyrgyzstan is a financial counselor of the President of the Kyrgyz Republic on the financial issues and other issues, connected with the bank operation.
3. When considering the draft of the republican budget, the Government of the Kyrgyz Republic shall consult the Bank of Kyrgyzstan.
4. The projects of regulatory legal acts, connected with financial and banking activity, are considered by the President of the Kyrgyz Republic, the Jogorku Kenesh of the Kyrgyz Republic, the Government of the Kyrgyz Republic only if there is a resolution of the Bank of Kyrgyzstan.
Regulatory legal acts issued by ministries, state committees, administrative agencies and other executive bodies related to financial and banking systems' issues shall be subject to approval by the Bank of Kyrgyzstan.

(As amended by the Law of the KR dated June 18, 2008 #154)

CHAPTER VII

RELATIONS BETWEEN THE BANK OF KYRGYZSTAN AND OTHER BANKS

Article 28. Loans Granted to Other Banks

1. In order to maintain liquidity of banks, the Bank of Kyrgyzstan may grant short-term interest-bearing repayable loans to banks for the period of not more than six months, under the conditions that one of the following types of security accepted by the Bank of Kyrgyzstan is provided:

- 1) gold and other precious metals;
- 2) foreign currency;
- 3) bills of exchange in the national and foreign currencies maturing within six months and other liabilities accepted by the Bank of Kyrgyzstan;
- 4) deposits at the Bank of Kyrgyzstan or other crediting institutions accepted by the Bank of Kyrgyzstan;
- 5) securities issued by the Government of the Kyrgyz Republic;
- 6) other types of security accepted by the Bank of Kyrgyzstan.

In cases established by the Board of Directors of the Bank of Kyrgyzstan, other assets and commodity-backed papers may serve as security.

2. The procedure and terms for lending shall be established by the Board of Directors of the Bank of Kyrgyzstan and commercial banks shall be informed of them.

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

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

The Bank of Kyrgyzstan shall create special reserves to cover potential losses, related to the bank's expenses, basing on the quality of assets.

The Bank of Kyrgyzstan may provide the Islamic bank with the funds on the contract basis.

3. In emergency situations, in order to protect the integrity of the banking system, the Bank of Kyrgyzstan may grant unsecured loans or loans secured by other types of assets, under the conditions established by the Board of Directors of the Bank of Kyrgyzstan.

An emergency loan may be granted for a term of not more than six months. The given term may be extended by the decision of the Board of Directors of the Bank of Kyrgyzstan. During the life of such a loan, the Bank of Kyrgyzstan shall establish a special regime to the borrower, which is stipulated in the normative acts of the Bank of Kyrgyzstan.

See: Resolution of the NBKR Board of Directors No.34/4 dated December 24, 2004 “On the Draft Regulation “On Overnight Credit of the National Bank of the Kyrgyz Republic”;

(As amended by the Law of the KR dated March 28, 2009 #94)

Article 29. Arrangement of Settlements

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

The Bank of Kyrgyzstan shall identify eligibility of settlement and clearing systems used in the Republic.

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

Article 30. Banking Regulation and Supervision

1. The Bank of Kyrgyzstan is the agency for supervising and regulating the activity of banks and other financial and crediting institutions licensed by the Bank of Kyrgyzstan. It will provide continuous supervision of their activity to maintain stability of the financial system, support and protect interests of depositors and other creditors, ensure observance of the legislation of the Kyrgyz Republic and regulations of the Bank of Kyrgyzstan.

2. In order to perform its supervisory and regulatory functions with regard to banks and other financial institutions licensed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have the right:

1) to establish prudential regulations, issue directives, instructions and recommendations as well as the procedure for implementation thereof, by establishing corresponding rules and regulations in accordance with the present Law, to exercise its supervisory and licensing functions.

See: Resolution of the NBKR Board of Directors No.11/2 dated April 28, 2004 “On Approval of the “Procedure for Assigning the Interest-Income-Exempted Status”;

2) to conduct on-site inspections of banks and their branches as well as entities having common interests with them (insiders and affiliated entities) or delegate conducting such inspections to independent auditors or auditing firms;

3) to request and receive information and reports for effective performance of its supervisory functions, and require clarifications of the information received;

4) to order taking measures on financial recovery, introduce provisional management, suspend or revoke licenses thereof or impose a penalty in accordance with the present Law to prevent unsafe or unreasonable or unfair practices;

5) to issue regulatory acts relating to detection and prevention of financial machinations and operations (interactions) by financing of terrorism and legalization (laundering) of profits, received by criminal way and requiring taking specific measures (including submitting to the Bank of Kyrgyzstan or other bodies the required reporting, changing of bank procedures, personnel training, presenting information about clients of the bank);

6) to suspend any banking operation which, according to the legislation of the Kyrgyz Republic, refer to the category of suspicious operations, upon a written request from law enforcement bodies responsible for identification and prevention of financial fraud, or basing on its own decision, for a period established by the regulations of the Bank of Kyrgyzstan.

The Bank of Kyrgyzstan performs inspection of activity of the banks and others financial-credit institutions, licensed and regulated by the Bank of Kyrgyzstan, regarding arrangement of internal monitoring for the purpose of prevention of terrorism financing and legalization (washing up) of income, received by illegal way, and sends the information on monitoring results to the authorized agency, responsible for prevention of terrorism financing and legalization (washing up) of income, received by illegal way.

The responsibility for unjustified suspension of banking operations shall be imposed by the entity or organization on whose initiative it was exercised

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

3. The Bank of Kyrgyzstan may cooperate with foreign banks supervising authorities on reciprocity principles in supervising and licensing the banks operating or intending to operate under their corresponding jurisdiction.

The Bank of Kyrgyzstan may exchange the information on any bank, which is operating or intends to operate under both the jurisdictions, with foreign supervisory authorities if the foreign supervisory authorities ensure confidentiality of the obtained information.

(As amended by the Law of the KR dated October 17, 2008 #224, May 19, 2009#162)

Article 31. Prudential regulations, established by the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan, in order to perform its functions on regulating the activities of banks and other financial institutions licensed by the Bank of Kyrgyzstan, in accordance with international standards, shall establish and declare the following prudential regulations:

1) the minimum amount of the equity capital, minimum amount of the capital (own funds);

See: Resolution of the NBKR Board of Directors No.32/3 dated October 26, 2005 “On the Minimum Amount of Capital (Own Funds)”;

2) capital adequacy ratio;

3) maximum risk exposure to one borrower;

4) liquidity ratios;

5) foreign exchange, interest and other risks limits;

6) other standards needed to ensure financial stability and applied in the international banking practice.

The method of calculating economic standards shall be determined by normative acts of the Bank of Kyrgyzstan.

2. The Bank of Kyrgyzstan shall establish the procedure for creating and the amount of the deductible reserves to cover potential lending, leasing and other losses as well as the foreign exchange, interest and other financial risks.

(As amended by Law of the Kyrgyz Republic No.75 dated May 30, 2007, No.90 May 19, 2008)

Article 32. Preventive Measures and Penalties Used by the Bank of Kyrgyzstan

1. When detecting facts of non-observance by the banks and financial and credit organizations, the activity of which is licensed by the Bank of Kyrgyzstan, economic standards, breach of bank legislation, the Law of the Kyrgyz Republic “On counteraction of financing of terrorism and legalization (laundering) of profits, received by criminal way”, regulatory acts and directions of the Bank of Kyrgyzstan, as well as non-submission or submission of unreliable and/or insufficient information, or when banks or financial and credit organizations become bankrupt the Bank of Kyrgyzstan can:

1) issue mandatory instructions to rectify the violations immediately or within a specified period;

2) use other penalties in accordance with paragraph 2 of the present Article;

3) suspend or revoke the license;

4) start the process of liquidation in case of insolvency.

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

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

2. In case the instructions of the Bank of Kyrgyzstan to rectify violations are not implemented within the prescribed period of time, or if it is revealed that prudential regulations or the banking laws are violated by a bank or financial institution licensed by the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have the right to take one or several of the following measures:

1) establish higher prudential regulations;

2) increase the size of mandatory reserves;

3) impose a penalty in the amount of not exceeding 1% of the paid-up equity capital for each case of such violations in accordance with the procedure established by the Board of Directors of the Bank of Kyrgyzstan;

4) impose a penalty on certain executives in the amount of up to twenty minimum wages (minimum rate) established by the legislation of the Kyrgyz Republic;

5) to issue a mandatory order:

- to replace all or some of the executive officers;

- to take measures on financial recovery;
- to carry out re-capitalization or reorganization;
- to carry out an unplanned audit of the bank at its own expense;

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

7. The Bank of Kyrgyzstan fixes the order and regulations of servicing of Islamic banks and banks having "Islamic windows" and takes measures in case of breaking by the banks of regulatory legal acts in a part, regulating the activity of the banks, implementing operations in accordance with the Islamic principles of banking and financing.

(As amended by the Law of the KR dated October 17, 2008 #224, March 28, 2009 #94)

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

1) if the minimum authorized capital has not been paid within six months after obtaining the preliminary permission to open a bank;

2) if within six months after obtaining the preliminary permission to open the bank it was established that the information, based on which the permission was granted, was inauthentic;

3) if the founders' financial position has declined or facts, which could serve as grounds not to grant a license, were revealed;

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

4. The license of the bank or financial institution, whose activities have been licensed by the Bank of Kyrgyzstan, may be withdrawn in the following cases:

1) when the events mentioned in paragraph 1 of the present Article take place or if the Bank of Kyrgyzstan finds it reasonable to revoke the license;

2) if the mandatory instructions of the Bank of Kyrgyzstan systematically (two or more times during 12 consecutive calendar months) have not been observed;

3) if the bank's total capital's adequacy ratio constitutes 2% or drops below this level in the near future according to the estimates of the Bank of Kyrgyzstan, and the founders, in spite of the previous notice, do not increase the capital and/or take actions on supplementing the capital above the present level within the period established by Bank of Kyrgyzstan;

4) if the requirements and penalties imposed by the Bank of Kyrgyzstan in accordance with paragraph 2 of the present Article are not met or implemented;

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

6) if inauthentic information is systematically submitted or if it is revealed, within one year from the date of issuing the license, that the information based on which the license was granted, turned out to be inauthentic;

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

8) in case of insolvency or if the Bank of Kyrgyzstan identifies the bank to be insolvent pursuant to the legislation of the Kyrgyz Republic;

9) if the bank postpones the activity on receiving deposits and granting credits for the period of more than one year after its registration and obtaining the license for the banking activity;

10) if the bank does not meet the requirements of the anti-monopoly legislation;

11) from a branch of a foreign bank, if the parent bank is being liquidated or its banking license is revoked by the country where it was registered.

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

The bank or financial and crediting institution licensed by the Bank of Kyrgyzstan may terminate its activities and return the license after notifying the Bank of Kyrgyzstan in writing of the fact and the planned date of closing down and only after receiving the approval of the Bank of Kyrgyzstan. The Bank of Kyrgyzstan may request to meet demands of depositors and other creditors before it approves termination of the bank's activities.

6. Should there be a risk for the bank to be declared bankrupt (if the bank's capital adequacy ratio constitutes 2% or lower), in order to protect interests of depositors and creditors, the Bank of Kyrgyzstan, beside its authorities stipulated in the present Law and the Law of the Kyrgyz Republic "On Banks and Banking Activities in the Kyrgyz Republic", shall have the right to undertake any of the following actions:

1) order the bank to take or not to take certain actions;

- 2) order the shareholders to provide the bank with additional capital or to assign their shares to the parties willing to acquire them at the value determined by the Bank of Kyrgyzstan;
- 3) instruct the bank to sell part or all of its property in order to obtain liquid assets without starting the process of bankruptcy;
- 4) provide the bank with its own liquid funds on security of a pledge;
- 5) give the bank the status of a bank under conservation and appoint the conservator of the bank;
- 6) initiate the out-of-court procedure of bankruptcy;
- 7) meet the request of the bank, its shareholders or creditors to initiate the case on the bank's bankruptcy (out-of-court or in-court procedure).

Article 32-1 Legal protection of the officials and employees of the Bank of Kyrgyzstan as well as other individuals assigned by the Bank of Kyrgyzstan

1. Official or employee of the Bank of Kyrgyzstan as well as any other individual assigned by the Bank of Kyrgyzstan for execution of functions and duties provided by the Present Law or the Law of the Kyrgyz Republic "On Banks and Banking Activity in the Kyrgyz Republic" bear criminal, administrative and other responsibility to any person for damage inflicted in the course of functions execution or during professional judgment expression – only if it is proved that the individual has committed illegal action (non - feasant) intentionally, by gross carelessness or neglect of duty.
2. License (certificate) issuance to a bank or any other financial-credit institution, regulated by the Bank of Kyrgyzstan as well as performance of its activity in accordance with the license (certificate) cannot be regarded as the Bank of Kyrgyzstan guarantee on the bank or financial-credit institution paying capacity.
3. Loss occurrence as a result of the activity, financial insolvency, preservation, liquidation (voluntary and mandatory) of a bank or financial-credit institution, licensed and regulated by the Bank of Kyrgyzstan, does not involve liability of the Kyrgyz Republic Government, the Bank of Kyrgyzstan, officials and employees of the Bank of Kyrgyzstan and other individuals assigned by the Bank of Kyrgyzstan.

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

CHAPTER VIII

FOREIGN ECONOMIC RELATIONS AND FOREIGN EXCHANGE OPERATIONS

Article 33. Operations Related to Participation of the Kyrgyz Republic in International Financial and Crediting Organizations

1. In the cases stipulated by the legislation and international agreements of the Kyrgyz Republic, the Bank of Kyrgyzstan shall represent interests of the Kyrgyz Republic related to the monetary policy, licensing of banks, banking supervision and other issues within its competence at international meetings, conferences and organizations on behalf of the Kyrgyz Republic.
2. The Bank of Kyrgyzstan, may conduct operations and transactions in relations with central banks of other countries, the International Monetary Fund and any other international financial and crediting organizations, on behalf of the Kyrgyz Republic in accordance with the authorities assigned to it.
3. The Bank of Kyrgyzstan may participate in the activities of any organization within the Kyrgyz Republic and abroad, which is engaged in the development of cooperation in the monetary, foreign exchange and banking areas including cooperation between banks of other countries.

Article 34. Currency Regulation

The Bank of Kyrgyzstan shall be a government authority for foreign exchange regulation and it shall perform this function by way of: issuing normative acts regulating operations in foreign currencies; granting and revocation of licenses to foreign exchange intermediaries including banks; supervising their activities in accordance with the legislation of the Kyrgyz Republic.

Article 35. International Reserves of the Bank of Kyrgyzstan

1. In order to implement all its tasks the Bank of Kyrgyzstan shall keep part of its funds in foreign currencies and in other international assets, the value of which shall be not be drastically affected by changes in international markets. Thus, under the conditions specified by the Board of Directors of the Bank of Kyrgyzstan, the Bank of Kyrgyzstan shall have an international reserve in gold and in:

- 1) foreign currencies including those allocated on the accounts of central and first rate foreign banks or other international financial institutions;
- 2) foreign exchange in the form of bank notes and coins;

- 3) any other internationally accepted reserve assets;
 - 4) bills of exchange and promissory notes in foreign currencies accepted in international transactions and subject to payment in a foreign currency;
 - 5) government securities issued or guaranteed by foreign government agencies in their own currency (or in a foreign currency) and paid in a foreign currency;
 - 6) other bills of exchange and promissory notes issued by first rate international financial institutions provided they are classified as eligible securities.
2. The Bank of Kyrgyzstan shall manage its own international reserves considering liquidity and safety of reserve assets.
3. An additional license is not required for the Bank of Kyrgyzstan to export precious metals that are on its balance sheet to place or sell international reserves abroad. The Board of Directors of the Bank of Kyrgyzstan shall determine the procedure and terms for taking abroad and selling precious metals.

Article 36. Operations and Transactions with Foreign Currency and Gold and Foreign Exchange Reserves Included into the Balance Sheet of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall have the right to:
- 1) conduct any foreign exchange operations within the Kyrgyz Republic or outside it, which comply with the current legislation and are accepted in the international banking practice;
 - 2) purchase and sell treasury bills and carry out operations with treasury bills and other securities issued or guaranteed by foreign governments or international financial organizations and conclude other transactions, which do not contradict the legislation of the Kyrgyz Republic and which are accepted in the international banking practice;
 - 3) open and operate accounts with foreign central banks and financial institutions outside the Kyrgyz Republic as well as with international financial institutions;
 - 4) open and operate accounts, act as a representative or a correspondent of foreign central banks and other financial institutions outside the Kyrgyz Republic as well as represent interests of central banks and other financial institutions of foreign countries and international financial organizations in the Kyrgyz Republic;
 - 5) conduct within the Kyrgyz Republic and outside it operations of purchasing and selling gold and other certified precious metals in bars, coins and other forms.

CHAPTER IX

MANAGEMENT ORGANIZATION OF THE BANK OF KYRGYZSTAN

Article 37. Management of the Bank of Kyrgyzstan

1. The supreme management body of the Bank of Kyrgyzstan shall be the Board of Directors of the Bank of Kyrgyzstan, the collegial body determining major trends in the activities of the Bank of Kyrgyzstan and carrying out general management of the Bank of Kyrgyzstan.
2. The Board of Directors of the Bank of Kyrgyzstan shall consist of 9 persons. Members of the Board of Directors shall work full time in the Bank of Kyrgyzstan.
3. The Board of the Bank of Kyrgyzstan consists in the Chairman of the Bank of Kyrgyzstan, his three deputies and members of the Board of Kyrgyzstan Bank, appointed by the President of the Kyrgyz Republic taking into consideration the representation of not more than seventy percents of persons of one sex.
(As amended by the Law of the KR dated January 23, 2009 #21)

Article 38. Requirements to the Positions

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

Article 39. Term of Office

1. The Chairman of the Bank of Kyrgyzstan is elected by the Jogorku Kenesh of the Kyrgyz Republic by proposing of the President of the Kyrgyz Republic for a period of seven years.
Deputy Chairman and members of the Board of Directors are appointed by the President of the Kyrgyz Republic by proposing of the Chairman of the Bank of Kyrgyzstan for a period of seven years.
The candidacy for election for a position of the Chairman of the Bank of Kyrgyzstan is brought by the President of the Kyrgyz Republic not late than ten working days from the date of his appointment as acting Chairman of the Bank of Kyrgyzstan.
2. The Chairman of the Bank of Kyrgyzstan and members of the Board can be reappointed for a position not more than three times in succession.

A new member of the Board shall be appointed accordingly before expiration of the term of office of that public officer, for whose position he is appointed, in case of resignation of a member of the Board of Kyrgyzstan Bank.
(As amended by the Law of the KR dated June 4, 2007 #77, July 18, 2008 #154)

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

The salary of the Chairman of the Bank of Kyrgyzstan, his deputies and members of the Board of Directors shall be established by the President of the Kyrgyz Republic with regard to the salaries on competitive markets and wage conditions of government employees.

(In edition of the Kyrgyz Republic Law, No.90 of May 19, 2008)

Article 41. Resignation and Release

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

- 1) at the end of their office term;
- 2) upon personal request on resignation;
- 3) upon committing a criminally punishable act, which was proved by the court sentence;
- 4) upon becoming unable to perform the duties confirmed by a state medical expert commission;
- 5) loss of citizenship of the Kyrgyz Republic

2. Members of the Board of Directors of the Bank of Kyrgyzstan may be released in the case of a serious violation of their authorities which substantially damage interests of the Bank of Kyrgyzstan or in the case of grave breaching the present Law or banking legislation of the Kyrgyz Republic according to the conclusions of the Board of Directors and in accordance with recommendations of the majority of the members of the Board of Directors of the Bank of Kyrgyzstan.

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

1. The Board of Directors of the Bank of Kyrgyzstan shall hold its meeting as necessary, but no less than once a month. Ad-hoc meetings of the Board of Directors of the Bank of Kyrgyzstan may be summoned at the initiative of the Chairman of the Bank of Kyrgyzstan or by three members of the Board of Directors.

Members of the Board of Directors of the Bank of Kyrgyzstan shall be informed of the meeting of the Board of Directors of the Bank of Kyrgyzstan in due time.

2. The quorum at meeting of the Board of Directors of the Bank of Kyrgyzstan shall be constituted of six members of the Board of Directors, one of whom shall be the Chairman of the Bank of Kyrgyzstan or one of his deputies or acting Chairman of the Bank of Kyrgyzstan. When the Board of Directors of the Bank of Kyrgyzstan takes decisions related to the monetary policy, the opinion of the members of the Board of Directors of the Bank of Kyrgyzstan that constitute the minority, shall be recorded in the minutes of the meeting upon their request.

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

4. The Chairman of the Bank of Kyrgyzstan shall supervise the work and preside at the meetings of the Board of Directors of the Bank of Kyrgyzstan and his deputy shall perform these duties in his absence.

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

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

- 1) the monetary policy of the Bank of Kyrgyzstan;
- 2) the annual report of the Bank of Kyrgyzstan;
- 3) types, amount and procedure for creation and use of reserves and accounts of the Bank of Kyrgyzstan;
- 4) the financial forecast of the Bank of Kyrgyzstan for the next year no later than December 31 of the previous year;
- 5) the organizational structure of the Bank of Kyrgyzstan;
- 6) types and amounts of assets needed for the Bank of Kyrgyzstan in its international reserves;
- 7) normative acts;
- 8) regulations of the Bank of Kyrgyzstan and its Board of Directors;
- 9) new forms of short-term crediting for a period of up to six months;
- 10) The Budget of the Bank of Kyrgyzstan including the income and expenditure budget and development budget;
- 11) the procedure for issuance of new samples and nominal value bank notes and withdrawal of bank notes and coins from circulation;
- 11) other issues relegated to the competence of the Bank of Kyrgyzstan by the present Law.

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

- 1) the size of the required reserves;
- 2) issuance of bank notes and coins and withdrawal thereof from circulation;
- 3) determining of the volume of prudential regulations for banks in accordance with the present Law;

See: Resolution of the NBKR Board of Directors No.36/13 dated December 29, 2004 “On the Approval of the Instruction “On the Procedure of Observing the Foreign Exchange Exposure Limits by Commercial Banks in the Territory of the Kyrgyz Republic”

- 4) changing interest rates of the Bank of Kyrgyzstan;
- 5) creation and liquidation of self-financing institutions of the Bank of Kyrgyzstan;
- 6) participation in international organizations;
- 7) purchasing and selling immovable property to ensure the activities of the Bank of Kyrgyzstan, its institutions, organizations and employees;
- 8) and determining the List of employees who cannot be close relatives (first order of devisees by law in accordance with the civil legislation) of the persons being insiders of banks or other financial-credit institutions licensed by the Bank of Kyrgyzstan;
- 9) other issues relegated by the present Law to the competence of the Board of Directors of the Bank of Kyrgyzstan.

See: Resolution of the NBKR Board of Directors No.3/5 dated February 22, 2005 “On the Draft Instruction “On the Procedure of Numbering Bank Accounts”

3. The Board of Directors of the Bank of Kyrgyzstan shall have the right to review any other issue if it finds the issue to be important.
4. The decisions taken at the meetings of the Board of Directors of the Bank of Kyrgyzstan shall be implemented by the deputies of the Chairman of the Bank of Kyrgyzstan, administrators of structural subdivisions, all employees of the Bank of Kyrgyzstan.

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

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

1. The Chairman of the Bank of Kyrgyzstan shall head the Board of Directors of the Bank of Kyrgyzstan; shall act without proxy on behalf of the Bank of Kyrgyzstan; shall represent interests of the Bank of Kyrgyzstan in relations with public authorities, banks, crediting, international and other institutions and organizations within the Kyrgyz Republic and abroad; shall make decisions on all issues related to the activities of the Bank of Kyrgyzstan apart from issues relegated to the jurisdiction of the Board of Directors in accordance with the present Law; shall sign its decrees, minutes of the meetings of the Board of Directors of the Bank of Kyrgyzstan as well as agreements signed by the Bank of Kyrgyzstan; shall issue orders, issue orders mandatory for all employees of the Bank of Kyrgyzstan, its institutions and organizations.
2. The Chairman of the Bank of Kyrgyzstan shall determine official salaries of employees of the Bank of Kyrgyzstan together with his deputies and the administrators of its subdivisions;
3. In the absence of the Chairman of the Bank of Kyrgyzstan his duties shall be performed by one of his deputies appointed by the Chairman or by the Board of Directors of the Bank of Kyrgyzstan.

Article 45. Restrictions for Members of the Board of Directors of the Bank of Kyrgyzstan

1. Members of the Board of Directors of the Bank of Kyrgyzstan cannot be the deputies of the Jogorku Kenesh of the Kyrgyz Republic and members of the Government of the Kyrgyz Republic as well as members (deputies) of the local self-government bodies.
2. Members of the Board of Directors of the Bank of Kyrgyzstan may not occupy posts in public, political and religious organizations.

Members of the Board of Directors of the Bank of Kyrgyzstan shall fall under restrictions established in Article 48 of the present Law.

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

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

CHAPTER X

EMPLOYEES OF THE BANK OF KYRGYZSTAN

Article 46. Labor Management of Employees of the Bank of Kyrgyzstan

1. Employment conditions, remuneration system, job responsibilities and rights, system of incentives and disciplinary penalties for the employees of the Bank of Kyrgyzstan shall be determined by the Board of Directors of the Bank of Kyrgyzstan in accordance with the KR legislation.
2. The remuneration system for all the employees of the Bank of Kyrgyzstan shall be established identical to the remuneration system of economic entities of the Kyrgyz Republic.
3. The employees of the Bank of Kyrgyzstan shall meet the requirements for bank employees established by the Bank of Kyrgyzstan.

Article 47. Social Security for Employees of the Bank of Kyrgyzstan

The Bank of Kyrgyzstan shall provide life insurances and health insurances for its employees as well as take actions on ensuring social protection to employees of the Bank of Kyrgyzstan including purchasing of real estate to solve housing and social problems of its employees and establish pension and other funds to provide social protection for employees of the Bank of Kyrgyzstan.

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

Article 48. Restrictions for Employees of the Bank of Kyrgyzstan

1. Employees of the Bank of Kyrgyzstan according to the list of positions approved by the Board of Directors of the Bank of Kyrgyzstan:

- 1) Cannot be the deputies of local keneshes and Jogorku Kenesh of the Kyrgyz Republic as well as they cannot be elected to the organs of local self-government;
- 2) have no right to occupy positions in financial, crediting and other organizations regardless whether they are paid for occupying those positions or not (except for teaching and researching activities).

The given restriction shall not apply to representing interests of the Bank of Kyrgyzstan in the organizations where the Kyrgyz Republic is a member state, as well as occupying positions and posts in international financial crediting and other organizations in which the Kyrgyz Republic is a member state, and in the cases stipulated by the legislation of the Kyrgyz Republic.

- 3) have no right to receive credits for personal needs in commercial banks of the republic;
- 4) have no right to own more than 1% of shares of commercial banks of the republic and in the aggregate with other family members - more than 5% of shares of one bank.

In case an employee, when applying for a job in the Bank of Kyrgyzstan, has shares of a commercial bank in the amount exceeding 1% of shares, he will have to assign his rights for these shares to the members of his family, if the employee owns in the aggregate with his family members more than 5% of shares he will have to assign his rights for these shares to the third party having a license for conducting trust operations.

(As amended by Law of the Kyrgyz Republic No.143 dated August 9, 2007, No. 87 dated May 16, 2008)

Article 49. Confidentiality of Information

Employees of the Bank of Kyrgyzstan shall have no right to disclose confidential information on the activities of the Bank of Kyrgyzstan or any other information, which became known to them in the course of performing their job responsibilities, except for the cases stipulated by the legislation.

CHAPTER XI

FINAL PROVISIONS

Article 50. Property of the Bank of Kyrgyzstan

1. The Bank of Kyrgyzstan shall independently own, use and dispose monetary resources, buildings, structures, equipment and other material valuables, which belong to it and may, for the purpose of implementing its objectives, establish organizations having the status of a legal entity.
2. The Bank of Kyrgyzstan shall have the right, during the procedure of recovering a debt, to acquire any rights of the debtor in any form, provided that those rights shall be exercised by the Bank of Kyrgyzstan in the shortest possible time, no longer than within two years.
3. The Bank of Kyrgyzstan shall have no right to be involved in the activities outside its scope of work, to be the holder of shares or participate in the activities of banks or other commercial organization, excluding the cases of legal entities participation in the capital for the purpose of the Bank of Kyrgyzstan major goal achievement within the framework of the national programs, to purchase, lease or otherwise acquire the property right for any real estate except for cases when acquisition or lease is crucial for ensuring the activities of the Bank of Kyrgyzstan and its employees.

The Bank of Kyrgyzstan has the right to forward or sell tradable material values which are morally out-of-date, inapplicable or are not used for provision of the Bank of Kyrgyzstan and its employees' activity. The procedure of material values realization is established by the normative-legal acts of the Bank of Kyrgyzstan.

4. The Government shall guarantee the protection of legal property rights of the Bank of Kyrgyzstan and shall not have the right to withdraw or reduce its property and capital as well as to burden the property of the Bank of Kyrgyzstan with obligations. The Bank of Kyrgyzstan property including capital and monetary funds cannot be burdened by obligations and/or exempted from the Bank of Kyrgyzstan without court judgment in accordance with the Kyrgyz Republic legislation.

5. The Bank of Kyrgyzstan shall take measures to secure its activities and integrity of its property and assets (including issuance, storage and distribution of bank notes) and protection of its employees.

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

(In the edition of the Kyrgyz Republic Law No.87 of May 16, 2008)

Article 51. Development of the Balance of Payments of the Kyrgyz Republic

1. The Bank of Kyrgyzstan in cooperation with the State Statistics Committee shall develop the balance of payments of the Kyrgyz Republic.

2. Ministries, state committees, administrative agencies, enterprises, institutions and organizations regardless of the form of ownership and also non-residents living in the territory of the Kyrgyz Republic shall submit the needed information to the Bank of Kyrgyzstan on indicators necessary for the development of the balance of payments in accordance with the format and within the time frame established by the Bank of Kyrgyzstan upon the approval with the National Statistics Committee.

3. For failing to submit or untimely submission of the information mentioned in Paragraph 2 of the present Article there shall be liability in accordance with the procedure established by the legislation of the Kyrgyz Republic.

See: Resolution of the NBKR Board of Directors No.30/5 dated November 25, 2004 "On Approving the New Version of the "Instruction On Registering Objectives of Payments in Banks"

Resolution of the NBKR Board of Directors No.30/6 dated November 25, 2004 "On Approving the Regulation "On Reporting about the Bank's Foreign Transactions"

Article 52. On Accounting and Reporting

The Bank of Kyrgyzstan shall establish formats and standards for accounting and reporting, chart of accounts for commercial banks, the Bank of Kyrgyzstan and financial and crediting institutions licensed by the Bank of Kyrgyzstan.

See: Resolution of the NBKR Board of Directors No.26/2 dated October 23, 2004 "On Approving the Regulation "On the Requirements to Accounting Policies of Commercial Banks and Other Financial and Crediting Institutions Licensed by the NBKR"

Resolution of the NBKR Board of Directors No.22/1 dated July 14, 2005 "On Approving the New Version of the Chart of Accounts in Commercial Banks and Financial and Crediting Institutions of the Kyrgyz Republic"

Article 53. Immunity

(Article name in the edition of the Law of KR as of October 17, 2008 N 231)

1. (Expired in accordance with the Law of KR as of October 17, 2008 N 231)

2. The Bank of Kyrgyzstan, including regional managements, its property, belongings and profits, as well as interactions and operations are exempted of any charges, custom duties, and taxes in connection with the goods, indicated in clause 9 of article 178 of the Custom Code of the Kyrgyz Republic, as well as state dues.

The present immunity is not spread to the legal entities, created by the Bank of Kyrgyzstan.

(As amended by the Law of the KR dated May 16, 2008 #87, October 17 2008 #231)

Article 54. Internal Audit of the Bank of Kyrgyzstan

The internal audit of the Bank of Kyrgyzstan shall be carried out by the internal audit department that will be directly subordinated to the Chairman of the Bank of Kyrgyzstan.

Article 55. International Treaties (Agreements)

International treaties may establish interrelations between the Bank of Kyrgyzstan and the Government of the Kyrgyz Republic differing from the ones stipulated in the present Law on servicing international treaties (agreements), ratified in accordance with the procedure established by the legislation.

Article 56. Enactment of the Present Law

1. The present Law shall be enacted from the date of its publication.

It was published in "Erkin-Too" newspaper No.62-63 of August 6, 1997.

2. Article 24 of the present Law shall be enacted from January 1, 1998. For the transition period related to the national economy's development, by January 1, 1998, the National Bank of the Kyrgyz Republic may grant credits to the Government of the Kyrgyz Republic within the limits established by the Law On the National Budget.

Paragraph 3 of Article 50 of the present Law shall become effective from January 1, 2000.

3. The following shall be deemed invalid:

- Law of the Kyrgyz Republic No. 1055 - XII "On the National Bank of the Kyrgyz Republic" of December 12, 1992;
- Resolution of the Supreme Soviet of the Kyrgyz Republic No. 1056 - XII "On the Procedure of Enacting the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic" of December 12, 1992.

A. Akaev,
President of the Kyrgyz Republic
Adopted by the Legislative Assembly of the Jogorku Kenesh
of the Kyrgyz Republic on June 16, 1997.

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