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LAW OF THE KYRGYZ REPUBLIC

No. 206, Bishkek city, dated December 16, 2016

On the National Bank of the Kyrgyz Republic, Banks and Banking Activity

(Put into effect by the Law KR dated December 16, 2016, N 207)

(As amended by the Laws of the Kyrgyz Republic of

April 2, 2018 # 34, July 11, 2018 # 68, August 6, 2018 # 88, December 10, 2018 # 100)

Section I. General Provisions

Chapter 1. General Provisions

Article 1. Relations Regulated by Banking Legislation

1. Banking legislation shall regulate relations in the sphere of banking activity, monetary and foreign exchange policy, functioning of the payment system (banking relations), as well as the legal status, competence, relationships and responsibilities of participants in banking legal relationships.

2. The state represented by the authorized body, the National Bank of the Kyrgyz Republic (hereinafter - the National Bank), banks, legal entities and individuals, including individual entrepreneurs, as well as non-residents are the participants in banking relationships.

3. The activities of non-banking financial and credit organizations, as well as other legal entities supervised by the National Bank, shall be regulated by the laws, taking into account the specifics provided by regulatory legal acts of the National Bank, unless otherwise provided by the present Law.

Article 2. Banking Legislation of the Kyrgyz Republic

1. Banking legislation of the Kyrgyz Republic is the system of regulatory legal acts of the Kyrgyz Republic regulating banking legal relationships in the Kyrgyz Republic.
2. In case of a conflict between the provisions of the present Law and the provisions of the Civil Code of the Kyrgyz Republic, the provisions of the Civil Code of the Kyrgyz Republic shall apply. In cases of a conflict between the provisions of the present Law and the provisions of other laws of the Kyrgyz Republic, the rules of the present Law shall regulate the banking legal relationships.
3. The provisions of codes and laws of the Kyrgyz Republic shall apply to banking legal relationships taking into account the specifics established by the present Law.
4. Drafts of regulatory legal acts of the Kyrgyz Republic affecting banking legal relationships shall be subject to mandatory agreement with the National Bank.

Article 3. Basic Principles of Banking Legal Relationships

The main principles of banking legal relationships are:

- 1) legality, honesty, good faith, transparency, reasonableness, justice, social responsibility;
- 2) reliability and security of banking activities;
- 3) independence of the National Bank;
- 4) use of various forms and principles of bank financing, including Islamic principles of banking industry and financing;
- 5) other generally accepted fundamental principles provided for by the banking legislation of the Kyrgyz Republic and international banking standards.

Article 4. Islamic Principles of Banking Industry and Financing

1. The Islamic principles of banking industry and financing shall be applied in the Kyrgyz Republic along with traditional banking industry and lending.
2. The Islamic principles of banking industry and financing are the principles and rules for implementation of banking operations and transactions in accordance with the standards of Shariah that have been developed and approved by the international organizations that establish standards for the conduct of Islamic banking industry (Organization of accounting and audit for Islamic financial institutions, the Council of Islamic Financial Services).
3. The provisions of the present Law and the banking legislation of the Kyrgyz Republic shall be applied to the banks and non-banking financial and credit organizations that carry out their activities in accordance with the Islamic principles of banking industry and financing with account of the specifics and peculiarities provided for by the Islamic principles of banking industry and financing.

Article 5. Banking Terminology

1. The terms and definitions used in the present Law shall be understood in accordance with their generally accepted meaning in the legislation of the Kyrgyz Republic and in the international banking practice, unless otherwise provided for by the present Law or other banking legislation of the Kyrgyz Republic.
2. The National Bank shall have the right to issue a glossary (code) of banking terms and provide explanations on banking terminology.

Chapter 2. Basic Requirements to Provision of Banking Services and Information Disclosure. Protection of Rights and Interests of Clients

Article 6. Fundamentals of Banking Services' Provision

1. Relationships of banks, non-banking financial and credit institutions and other legal entities supervised by the National Bank (persons providing banking services) with clients are built on the basis of the partnership principle in accordance with the present Law, on the basis of the Civil and other legislation of the Kyrgyz Republic. By clients are meant legal entities, individuals, individual entrepreneurs who use banking services.

2. Clients shall be free to choose a financial and credit organization and banking services. The persons providing banking services shall be obliged, at the request of the client, to provide him with an opportunity to become acquainted with the constituent documents, permits and financial reports.

The provisions of this chapter shall also apply to banks and non-banking financial and credit organizations that carry out their activities in accordance with the Islamic principles of banking industry and financing taking into account the peculiarities provided for by the Islamic principles of banking industry and financing.

Article 7. Banking Services' Information Disclosure

1. General conditions for provision of banking services are public information and cannot be subject to commercial or banking secrecy.

2. The client shall be provided with full disclosure of information on the services provided before entering into any agreement for provision of banking services.

Refusal to provide exhaustive information about the conditions and the cost of the services provided shall not be allowed.

3. The persons providing banking services shall ensure that the client fully understands the terms of the services provided, the risks associated with them, and the liability.

4. Changes in general conditions for provision of banking services, with the exception of information on interest rates and the exchange rate, shall be published in the media or on Internet sites at least ten working days before they come into force, and shall be permanently posted on information stands. The information on changes in interest rates and exchange rates shall be published immediately.

5. The National Bank shall determine the procedure for disclosing information on the services provided.

Article 8. Requirements to Agreements

1. The agreements concluded with the clients shall comply with the banking and other legislation of the Kyrgyz Republic. The agreements concluded with the clients in accordance with the Islamic principles of banking industry and financing shall also comply with the standards of Shariah.

2. The texts of the agreements shall be printed in the same size font, set out clearly and accessible to clients' perception and understanding. As agreed with the client, the text of the agreement shall be drawn up in the state or official language. If necessary, the text of the agreement can be translated into another language.

Article 9. Safety and Reimbursement of Deposits

1. The persons providing banking services shall be obliged to ensure safety of the funds held in bank accounts and reimburse them at the first request of the depositors, with the exception of cases provided for by the present Law and other codes and laws of the Kyrgyz Republic.

2. The persons providing banking services shall have no right to establish any restrictions for the depositors that are not provided for by the banking legislation of the Kyrgyz Republic.

3. The National Bank shall establish the procedure for working with bank accounts.

Article 10. Responsible Lending

1. The persons providing banking services shall be obliged to carry out credit activities (placement of funds) in compliance with the principles of responsible lending: good faith, transparency, reliability, partnership with borrowers, consideration of their economic interests and financial possibilities. Borrowers are required to make balanced and responsible decisions when seeking lending services.

2. The persons providing banking services shall be obliged to ensure fulfillment of the following requirements when providing lending services to borrowers:

- 1) the effective interest rate on loan shall not exceed the value of the declared (published) effective interest rate as of the date of the loan;
- 2) full disclosure of exhaustive information on the conditions for granting loans, including information on the full value of the loan product shall be provided to the clients (potential borrowers) before conclusion of the loan agreement. The National Bank shall have the right to establish other requirements for information disclosure to the borrowers;
- 3) the borrower shall be clarified the consequences of failure to perform or improper performance of the obligations assumed by him under the loan agreement against the signature;
- 4) The real solvency of the borrower shall be carefully studied before conclusion of the loan agreement in accordance with the requirements of the National Bank. The personality, employment indicators, incomes of family members, expenditures, the number of dependents and other indicators of the borrower – an individual shall be also carefully studied;
- 5) it is prohibited to include additional fees, commissions and other payments in the terms of the loan agreement in addition to those published or established by the legislation of the Kyrgyz Republic, as well as other related services on a paid basis, regardless of the arrangement with the borrower;
- 6) the loan agreement should provide for the client's right to refuse from drawing upon a loan free of charge in the period after conclusion of the agreement and until the client shall receive money or make payment in return of property under leasing;
- 7) the loan agreement should provide for the client's right to early repayment of the loan (leasing) at any time without any penalties, subject to prior notification hereof thirty calendar days before;
- 8) the borrowers shall be provided with exhaustive information on the amount of the outstanding balance of the loan, as well as a modified payment schedule not later than the next business day upon applying;
- 9) the persons providing banking services should not be entitled to change or supplement the terms of the loan agreement on an unilateral basis, if it aggravates the rights and/or increases the obligations of the borrower;
- 10) the maximum amount of the accrued forfeit (penalties, fines) for overdue loan debt cannot exceed the value established by the National Bank;
- 11) immovable mortgaged property in the form of residential premises shall be sold exclusively through the public tenders, if the agreement of the parties does not provide for a different method of sale in the process of enforcement of pledge;
- 12) other requirements provided for by the law.

3. The National Bank shall have the right to establish a minimum limit for collateral for loans and other transactions, the maximum ratio of the loan payments to the borrower's income and other requirements for lending to individuals.

Article 11. Commission Fees, Tariffs and Interest Rates

1. Commission fees and tariffs for provision of banking services shall be established by the persons providing banking services independently in accordance with the requirements of the banking legislation of the Kyrgyz Republic.

In the case that the accrual of interest is provided for banking services, the rate of interest shall be set by the persons providing banking services independently in accordance with the requirements of the banking legislation of the Kyrgyz Republic.

A bank carrying out operations and transactions in accordance with the Islamic principles of banking industry and financing shall have the right to establish the conditions for performance of operations and transactions independently in accordance with the requirements of the banking legislation of the Kyrgyz Republic.

3. It is mandatory to specify nominal and effective interest rates on the loans granted and the amount of commission fees when specifying the information on the cost of banking services in advertising, publication and dissemination.

4. Nominal and effective interest rates in an effective and comparable calculation shall be specified in the agreements.

5. The persons providing banking services are required to provide the client with the information on the full cost of the loan in absolute value, showing the principal amount of the loan, interest, commission fees and other payments separately along with the information on the amount of the nominal and effective interest rate connected with conclusion and execution of the agreement before signing the loan agreement. Interest payments shall be accrued at the nominal interest rate on the declining balance of the principal loan amount. The National Bank shall establish the definition and methodology for calculating the effective interest rate.

6. The use of credit products that distort the cost of services and provide for indexing the payments on a loan in relation to a currency other than the currency of the loan agreement is not allowed.

7. The value of the interest rates on deposits at call and loans cannot be changed by the bank on a unilateral basis, if it aggravates the rights and/or increases the obligations of the client.

Article 12. Consideration of Complaints and Claims. Disputes

1. The persons providing banking services shall have the documents regulating the procedure for considering complaints and claims (disputes) of clients. Complaints and claims of the clients shall be considered within a period not later than thirty calendar days with the reply in writing.

2. Documents on the results of the considered complaints and claims (disputes) of the clients shall be kept for at least three years in accordance with the established procedure.

3. Disputes arising in the process of execution of the agreement shall be resolved in the manner provided for by the legislation of the Kyrgyz Republic, including in the framework of pre-trial settlement of disputes, if they were not resolved by agreement of the parties.

Article 13. Responsibility of the Parties Providing Banking Services

The National Bank shall have the right to take enforcement actions to the persons providing banking services for violation of the requirements of the present chapter stipulated by the present Law and the laws of the Kyrgyz Republic.

Section II. National Bank of the Kyrgyz Republic

Chapter 3. Legal Status, Objectives and Functions of the National Bank

Article 14. Legal Status of the National Bank

1. The National (Central) Bank is the bank of the Kyrgyz Republic (Bank of Kyrgyzstan) and is in its ownership.
2. The legal status, objectives, functions and powers of the National Bank shall be determined by the Constitution of the Kyrgyz Republic and the present Law.
3. The National Bank is a legal entity with an independent organizational and legal form - the "Central Bank of the Kyrgyz Republic" carrying out its activities in accordance with the present Law and not pursuing the goal of making a profit.
4. The location of the National Bank is Bishkek. The National Bank shall have the right to establish branches, representative offices and appoint its representatives in the Kyrgyz Republic and abroad.
5. The National Bank shall have a seal with the image of the State Emblem of the Kyrgyz Republic and its name.
6. The Kyrgyz Republic shall not be liable for the obligations of the National Bank, nor does the National Bank shall bear responsibility for the obligations of the Kyrgyz Republic.
7. The National Bank, as a legal entity, shall bear responsibility for its obligations to the extent of all of its property.
8. The National Bank shall have the right to apply to the court in defense of its own, state and public interests.

Article 15. Objective of the National Bank

The objective of the National Bank is to achieve and maintain price stability through appropriate monetary policy.

Article 16. Main Tasks of the National Bank

The main tasks contributing to achievement of the objective of the National Bank's activity are maintenance of the purchasing power of the national currency, ensuring efficiency, security and reliability of the banking and payment systems of the Kyrgyz Republic in order to promote the long-term economic growth of the Republic.

Article 17. Functions and Powers of the National Bank

The National Bank:

- 1) shall supervise the banking system of the Kyrgyz Republic, including the activities of banks and other legal entities supervised by the National Bank;
- 2) shall determine and conduct monetary policy, promote financial stability of the Kyrgyz Republic;
- 3) shall develop and implement a unified currency policy;
- 4) shall have the exclusive right to issue money notes;
- 5) shall implement various forms and principles of bank financing;
- 6) shall supervise the payment system (oversight), facilitate the effective, reliable and safe functioning of the payment system of the Kyrgyz Republic;
- 7) shall issue permits in accordance with the present Law and the laws of the Kyrgyz Republic;
- 8) shall establish the rules for conducting banking operations;
- 9) is the lender of last resort for banks in accordance with the present Law;
- 10) shall own and manage all international reserves in accordance with the present Law and the legislation of the Kyrgyz Republic;

- 11) shall make up the balance of payments together with the state statistics body and determine the international investment position of the Kyrgyz Republic;
- 12) shall develop and publish normative legal acts in accordance with the banking legislation of the Kyrgyz Republic;
- 13) shall represent the interests and act on behalf of the Kyrgyz Republic at international forums, conferences and organizations related to monetary policy, banking and payment systems;
- 14) shall conduct banking operations in accordance with the present Law;
- 15) shall have the right to emit (issue) electronic money;
- 16) shall protect the rights of the clients of banking services;
- 17) shall exercise the other powers in accordance with the legislation of the Kyrgyz Republic.

Article 18. Main Operations of the National Bank

1. In order to achieve the objectives of the activity and perform the basic tasks, the National Bank shall have the right to carry out the following operations:

- 1) to grant loans to banks in accordance with the present Law;
- 2) to buy and sell checks, promissory notes and drafts in the secondary market;
- 3) to buy and sell securities issued by the Government of the Kyrgyz Republic in the secondary market;
- 4) buy and sell securities issued by the National Bank, as well as securities issued by foreign countries, international organizations, and other securities determined by the National Bank;
- 5) to buy and sell precious metals and other types of currency valuables;
- 6) to buy and sell foreign currency;
- 7) to accept deposits from banks, other financial organizations, including foreign organizations;
- 8) to open accounts with banks and other financial organizations;
- 9) to open correspondent accounts with banks, including foreign banks;
- 10) to act as an intermediary for transactions related to funds provided by international financial institutions for financing various programs;
- 11) to carry out transactions for the purchase of foreign currency with the obligation of its re-sale with international organizations set up by the Kyrgyz Republic jointly with other states within the framework of the Eurasian Economic Union (EEU) within the funds directed by them for concessional financing of the economy of the Kyrgyz Republic;
- 12) to provide funds in the national currency under the terms of payment, urgency, repayment to the international organizations established by the Kyrgyz Republic jointly with other states within the framework of the Eurasian Economic Union (EAEU), under their projects and programs of concessional financing of the economy in the Kyrgyz Republic on security of foreign currency or government securities of the Kyrgyz Republic;
- 13) to provide the funds in national currency on the terms determined by the Board of the National Bank, the Deposit Protection Agency of the Kyrgyz Republic in order to ensure the financial stability of the deposit protection system of the Kyrgyz Republic;
- 14) to import into the country and export from the country precious metals and any currency;
- 15) to carry out other banking operations in accordance with the banking legislation of the Kyrgyz Republic.

2. The National Bank shall carry out separate banking operations and services on a paid basis. The types of services and the amount of payment shall be determined by the National Bank independently, taking into account the provisions of Article 14 of the present Law.

3. The National Bank shall be entitled to carry out the operations specified in subsection (1) of this section, including in accordance with the Islamic principles of banking industry and financing.

(As amended by the Laws of the Kyrgyz Republic of July 11, 2018 # 68)

Article 19. Organization of the Activity and Independence of the National Bank

1. The National Bank shall independently organize and carry out its activity within the competence established by the present Law and the banking legislation of the Kyrgyz Republic.

2. Intervention of state bodies in the legitimate activities of the National Bank shall not be allowed. The state shall guarantee the independence of the National Bank in exercising its powers. Adoption of regulatory legal acts of the Kyrgyz Republic, which contradict the powers of the National Bank, shall be prohibited.

3. Employees of the National Bank shall be prohibited from taking directions and instructions from state bodies, civil servants and other persons that contradict the main tasks and objectives of the National Bank's activity.

4. The National Bank shall be entitled to receive the necessary information, data and documents from any individuals and legal entities, as well as from state bodies free of charge in the manner prescribed by the present Law and the legislation of the Kyrgyz Republic.

5. The National Bank shall be prohibited from carrying out activities that go beyond its competence provided for by the present Law.

Article 20. Regulatory Legal Acts of the National Bank

1. The National Bank shall issue regulatory legal acts, which are an integral part of the banking legislation of the Kyrgyz Republic. The National Bank shall have the right to take into account international standards for banking supervision and regulation, including the Basel Committee, when developing draft regulatory legal acts.

2. Regulatory legal acts of the National Bank shall be included in the Register of Regulatory Legal Acts of the Kyrgyz Republic.

3. Regulatory legal acts of the National Bank directly affecting the interests of individuals and legal entities, as well as regulating entrepreneurial activity, shall be subject to official publication in the manner prescribed by the legislation of the Kyrgyz Republic in the official publication and on the official website of the National Bank.

4. The official interpretation (explanation) of the regulatory legal acts of the National Bank shall be made by the National Bank through adoption of the relevant regulatory legal act.

Article 21. Official publications and Internet-site of the National Bank

1. The National Bank shall ensure publication of the official editions of the National Bank.

2. The National Bank shall have an official Internet-site. The National Bank shall determine the order of organization of work with Internet-site.

Chapter 4. Capital and Reserves of the National Bank

Article 22. Capital of the National Bank

1. The capital of the National Bank shall consist of authorized capital, statutory reserve, reserve for revaluation of assets and liabilities, undistributed profit or loss.
2. The National Bank shall have an authorized capital in the amount of KGS 2 (two) billion. The National Bank cannot alienate or pledge its authorized capital.
3. The amount of the authorized capital of the National Bank cannot be increased or decreased without introducing appropriate amendments to the present Law.
4. The statutory reserve and reserves for revaluation of assets and liabilities shall be formed in accordance with the present Law. Statutory reserves can be used only to cover losses of the National Bank in accordance with Part 7 of the Article 23 of the present Law.
5. Undistributed profit or loss shall be defined as the difference between income and expenses that occurred during the fiscal year until the distribution or repayment of this profit or loss carried out in accordance with the present Law.

Article 23. Profit and Reserves of the National Bank

1. The profit of the National Bank shall be determined based on the results of the fiscal year after accounting for all incomes and expenses over this period taking into account the part 3 of this article.
2. Revaluation of gold and foreign currency assets and liabilities shall be reflected in the capital on the reserve account for revaluation of gold and currency assets and liabilities.
3. If the reserve for revaluation of assets and liabilities will have a negative balance, then all this negative balance shall be charged to the current period expenses and included in the calculation of profits to distribution carried out in accordance with Part 4 of this article.
4. The profit of the National Bank that has been calculated with account of the part 3 of this article shall be distributed in the following order:
 - 1) if the amount of the authorized capital and statutory reserve of the National Bank is less than ten percent of the monetary obligations of the National Bank based on the results of the fiscal year, seventy percent of the profit shall be transferred to the income of the republican budget of the Kyrgyz Republic. The balance of profit after deduction to the income of the republican budget shall be transferred to the statutory reserve of the National Bank;
 - 2) if the amount of the authorized capital and statutory reserve will be equal or exceed ten percent of the monetary obligations of the National Bank based on the results of the financial year, one hundred percent of the profit shall be transferred to the income of the republican budget of the Kyrgyz Republic.
5. Profits shall be transferred at the end of the fiscal year after an independent external audit and approval of the annual report by the Board of the National Bank.
6. For the purposes of this article, the monetary obligations of the National Bank shall include:
 - 1) banknotes and coins issued by the National Bank;
 - 2) financial obligations on the monetary regulation instruments;
 - 3) accounts of residents of the Kyrgyz Republic opened with the National Bank, including accounts of the Government of the Kyrgyz Republic and other financial obligations before the Government of the Kyrgyz Republic;
 - 4) accounts of non-resident banks of the Kyrgyz Republic opened with the National Bank.
7. If the National Bank has a loss that has not been repaid by the statutory reserve based on the results of the fiscal year and taking into account part 3 of this article, the Government of the Kyrgyz Republic shall pay this loss to replenish the authorized capital up to the amount established by the Law by direct transfer of monetary funds to the National Bank not later than twelve months.

(As amended by the Laws of the Kyrgyz Republic of April 2, 2018 # 34)

Chapter 5. Monetary Policy in the Kyrgyz Republic**Article 24. Monetary Policy and Financial Stability Facilitation**

1. Monetary policy shall be determined and carried out by the National Bank. The National Bank shall have the right to interact with the Government of the Kyrgyz Republic when conducting monetary policy.
2. The National Bank shall develop measures aimed at ensuring the financial stability of the Kyrgyz Republic, including macroprudential regulation independently and in cooperation with the Government of the Kyrgyz Republic.
3. State bodies, as well as legal entities, regardless of their forms of ownership, shall be obliged to provide the National Bank with timely information on the composition of macroprudential indicators for the evaluation, analysis and monitoring of financial stability according to the forms and within the terms determined by the National Bank in order to facilitate financial stability.
4. Failure to provide or untimely provision of the information specified in this article shall entail liability provided for by the legislation of the Kyrgyz Republic.

Article 25. Regulation of Currency in Circulation

The National Bank shall regulate the volume and structure of the money supply using 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 National Bank;
- 3) purchase and sale of foreign currency;
- 4) provision of loans to banks;
- 5) change in the amount of statutory reserves placed with the National Bank;
- 6) other instruments of liquidity regulation, ways and methods adopted in international practice.

Article 26. Securities Issued by the National Bank

The National Bank shall have the right to issue securities and carry out all types of transactions with them in accordance with the accepted international practice in order to conduct monetary policy.

Article 27. Statutory Reserves

1. The National Bank shall establish requirements for statutory reserves for banks and other non-banking financial and credit institutions attracting deposits. The specified persons shall be obliged to have statutory reserves placed with the National Bank.
2. The amount of statutory reserves, the procedure for their calculation and placement shall be determined by the National Bank.
3. Failure to comply with the norm of reserve requirements shall be subject to a fine in the amount and order determined by the National Bank.

Article 28. Regulation of Interest Rate Level

1. The National Bank shall regulate the bank interest rates level using the instruments of monetary policy and other measures provided for by law.
2. The National Bank shall establish the types and procedures for the use of financial instruments.

Chapter 6. National Currency of the Kyrgyz Republic**Article 29. Monetary Unit of the Kyrgyz Republic (National Currency)**

1. The monetary unit of the Kyrgyz Republic is KGS. One KGS consists of 100 (one hundred) tyiyns.
2. Cash currency notes are issued in circulation in the form of banknotes and coins.
3. The National Bank shall establish the official KGS exchange rate in relation to the monetary units of the other states.

Article 30. Emission of currency notes

1. The National Bank shall have the exclusive right to issue in circulation and withdraw national currency notes from circulation.
2. Banknotes and coins are unconditional obligations of the National Bank and shall be provided by all its assets.
3. Declaration of banknotes and coins to be invalid means of payment is the exclusive right of the National Bank.

Article 31. Means of payment

1. KGS is the only full legal tender means of payment on the entire territory of the Kyrgyz Republic without restriction on all types of payments. Settlements and payments in the territory of the Kyrgyz Republic are made in the national currency of the Kyrgyz Republic, unless otherwise stipulated by the legislation of the Kyrgyz Republic. The prices for goods and services shall be indicated in KGS, with the exception of agreements for supply of exported and imported goods and services, where the currency of payment is determined by agreement of the parties.

2. In the event of unreasonable refusal to accept the national currency notes of the Kyrgyz Republic, as well as their deliberate destruction or illegal use for advertising or other purposes, individuals and legal entities shall be liable in accordance with the legislation of the Kyrgyz Republic.

3. Counterfeiting and illegal manufacturing, as well as unauthorized issuance of banknotes shall entail responsibility in accordance with the legislation of the Kyrgyz Republic.

Article 32. Organization of Cash Turnover

The National Bank for the purposes of cash turnover organization in the territory of the Kyrgyz Republic:

- 1) shall forecast the requirements for issuance of banknotes and ensure their production;
- 2) shall ensure creation of reserve funds of banknotes, prepare and place an order for their production;
- 3) shall establish the procedure and requirements for storage, transportation and collection of cash currency notes for banks;
- 4) shall develop and approve the procedure of cash transactions for banks and non-banking financial and credit organizations supervised by the National Bank;

- 5) shall establish the procedure for legal tender of banknotes;
- 6) shall determine the signs of protection and the procedure for replacing currency notes, as well as the procedure for destruction of currency notes withdrawn from circulation;
- 7) shall apply other methods and mechanisms of cash turnover organization adopted in international practice.

Chapter 7. Foreign Exchange Policy in the Kyrgyz Republic

Article 33. Foreign Exchange Policy

The National Bank shall develop and implement a unified foreign exchange policy and regulation in the Kyrgyz Republic.

Article 34. Foreign Exchange Transactions of the National Bank

1. The National Bank shall carry out any foreign exchange operations, including the operations for purchase and sale of precious metals and foreign currency in foreign exchange markets, and is also authorized to import into the country and export from the country precious metals and any currency without restrictions for the purposes of managing international reserves, monetary policy, carrying out its activities and protecting the economic interests of the Kyrgyz Republic.
2. The National Bank shall have the right to purchase foreign currency and sell it to the Government of the Kyrgyz Republic at a market rate on a contractual basis.
3. The National Bank shall determine the procedure and conditions for conducting operations in the interbank foreign exchange market (interbank currency exchange).

Article 35. Exchange Rate

1. The National Bank shall determine and declare the official exchange rate on the basis of market spot exchange and other market rates. The official exchange rate shall be determined and declared by the National Bank without the National Bank's obligation to buy and sell foreign currency at the rates declared.
2. Spot-exchange and other market exchange rates are freely determined between the seller and the buyer, unless otherwise established by the National Bank.

Article 36. Foreign Currency Transactions Within the Territory of the Kyrgyz Republic

1. Settlements and payments in foreign currency in the territory of the Kyrgyz Republic shall be made in accordance with the procedure established by the National Bank.
2. Transactions on the purchase and sale (exchange) of cash and non-cash national and/or foreign currency in the territory of the Kyrgyz Republic are not limited to, and are performed only in banks, specialized financial and financial and credit institutions, microfinance companies, microcredit companies, credit unions and exchange bureaus having the appropriate license of the National Bank (authorized persons).

The exchange bureau is a specially equipped point created by a legal entity for conducting cash foreign currency exchange operations carried out in accordance with the license of the National Bank.

The National Bank shall determine the procedure and conditions for conducting transactions for the purchase and sale (exchange) of cash and non-cash national and/or foreign currency, as well as the requirements for authorized persons.

3. The persons authorized for conducting foreign currency transactions shall provide the National Bank with the information on foreign currency operations, as well as shall ensure compliance of the operations conducted with the requirements of the present Law and the legislation of the Kyrgyz Republic.

Article 37. Diversion of Foreign Exchange and Currency Valuables

Diversion (import and export) of foreign exchange from abroad and outside the country, as well as diversion of currency valuables that are not currency shall not be restricted upon the condition of their declaration in customs checkpoints in accordance with the customs legislation.

Article 38. Freedom of Cash and Capital Flow

1. Receipts and transfers of capital from abroad and outside the country shall not be limited.

2. The National Bank shall have the right to restrict transfers of funds and capital in order to fulfill the international obligations by the Kyrgyz Republic and protection of the economic security of the Kyrgyz Republic.

Article 39. Registration of Accounts Opened by the Residents outside the Kyrgyz Republic

1. Residents of the Kyrgyz Republic shall be obliged to register accounts and deposits opened outside the Kyrgyz Republic at the National Bank.

2. Residents of the Kyrgyz Republic shall be obliged, at the request of the National Bank, to provide information on accounts and deposits opened outside the Kyrgyz Republic, as well as any other documents and information related to the foreign currency transactions.

Chapter 8. Payment System of the Kyrgyz Republic

Article 40. Payment System of the Kyrgyz Republic

The payment system of the Kyrgyz Republic (hereinafter referred to as the payment system) is an interconnected system of technologies, procedures, rules, payment instruments and money transfer systems that provides monetary circulation. The law and regulatory legal acts of the National Bank shall regulate functioning of the payment system.

Article 41. Protection of the Rights of Clients – Users of Payment Systems

1. Participants and operators of payment systems shall be required to act appropriately to protect the rights of clients - users of payment systems, including measures to timely disclose information and ensure confidentiality of information constituting bank secrecy in the provision of payment services.

2. The National Bank shall have the right to determine the requirements aimed at protecting the rights of clients - users of payment systems.

Article 42. Collaboration with the State Bodies and Foreign Bodies of Supervision over Payment Systems

1. The National Bank, if necessary, shall interact with authorized state bodies, supervisory authorities of other states and international financial organizations in order to improve effectiveness of supervisory activities with respect to international payment systems, the participants and operators of which are in the territory of the Kyrgyz Republic.
2. The National Bank shall have the right to co-operate with the foreign bodies of supervision over payment systems to agree on the standards, principles and methods for conducting cross-border payments, and to exchange information on any payment system operating in the respective jurisdictions.

Article 43. Enforcement Actions against Payment System Participants

The National Bank shall have the right to take enforcement actions against the payment system participants provided for by the present Law and the Law on payment system.

Chapter 9. Foreign Economic Activity and International Reserves

Article 44. Relationships of the National Bank with International Organizations, Central Banks and Other Institutions of Foreign Countries

1. The National Bank shall represent the interests of the Republic concerning monetary policy, payment systems, macroprudential, banking regulation, supervision and other issues falling within its competence at the international meetings, conferences and organizations in the cases provided for by the legislation and by international treaties to which the Kyrgyz Republic is a party that have entered into force in accordance with the procedure established by law.
2. The National Bank may conduct operations and transactions on behalf of the Kyrgyz Republic with central and commercial banks of other countries, as well as with international organizations in accordance with the powers granted.
3. The National Bank shall have the right to open and maintain accounts, act as a representative or correspondent of central banks and other financial institutions of foreign countries, international financial organizations in the Kyrgyz Republic and abroad.
4. The National Bank shall cooperate in the monetary, currency, payment and banking spheres, in the area of macroprudential, banking regulation and supervision with any organization located both in the territory of the Kyrgyz Republic and beyond.
5. The National Bank shall have the right to enter into agreements with international organizations, central, commercial banks and authorized bodies of other states within its competence.

Article 45. International Reserves of the National Bank

1. The National Bank shall maintain reserve assets in foreign currency and other international assets that meet the tasks and requirements of the National Bank in order to fulfill the tasks established by the present Law.
2. International reserves are owned by the National Bank and consist of:
 - 1) gold and other precious metals;
 - 2) foreign currency in cash and non-cash forms;
 - 3) simple and transferable bills in foreign currency;
 - 4) government securities issued or guaranteed by foreign government agencies in their own currency or in foreign currency;
 - 5) other securities designated by the National Bank;

6) any internationally recognized reserve assets.

3. The National Bank shall set the policy of managing international reserves, limits, counterparty requirements and levels of authority.

4. International reserves of the National Bank shall be used for:

1) maintaining the purchasing power of the national currency, stability of prices, ensuring the financial stability of the Kyrgyz Republic through implementation of appropriate monetary and currency policies in accordance with the present Law;

2) timely servicing of the obligations of the Government of the Kyrgyz Republic in foreign currency. The National Bank shall satisfy the need of the Government of the Kyrgyz Republic in foreign currency in fulfilling obligations on external debt, paying membership fees to international organizations, financing representations of the Kyrgyz Republic abroad and other obligations by selling foreign currency to the Government of the Kyrgyz Republic - part of international reserves;

3) fulfillment of the obligations of the National Bank in foreign currency;

4) ensuring the operational activities of the National Bank;

5) performance of other powers of the National Bank provided for by the present Law.

5. The National Bank shall independently form, own and manage all international reserves taking into account the priorities of liquidity and ensuring the safety of reserve assets.

6. A license for the import and/or export of precious metals by the National Bank for the purpose of forming international reserves and managing them or placing and selling abroad, is not required. The National Bank shall determine the procedure and conditions for the import and/or export, acquisition and sale of precious metals.

Chapter 10. Relationships of the National Bank with the Government of the Kyrgyz Republic

Article 46. Cooperation with the Government of the Kyrgyz Republic

1. The National Bank and the Government of the Kyrgyz Republic shall cooperate within their competence.

2. The National Bank shall take into account the economic policy conducted by the Government of the Kyrgyz Republic, facilitate its implementation, if it does not contradict the main goals, tasks and powers of the National Bank.

3. The National Bank and the Government of the Kyrgyz Republic shall promptly inform each other on economic and monetary policy issues and hold regular mutual consultations.

4. The Government of the Kyrgyz Republic shall not be liable for the obligations of the National Bank, nor does the National Bank shall bear responsibility for the obligations of the Government of the Kyrgyz Republic.

Article 47. Prohibition on Lending of the Government of the Kyrgyz Republic and Providing Financial Assistance

1. The National Bank shall be prohibited from providing loans and guarantees to the Government of the Kyrgyz Republic, including for financing the deficit of the republican budget.

2. The National Bank shall not have the right, in any form and for any purpose, to provide loans to the government bodies, any individuals or legal entities, or other financial or material assistance, except for loans extended to banks, international organizations set up by the Kyrgyz Republic jointly with other states in the Eurasian Economic Union (EEU), the Deposit Protection Agency of the Kyrgyz Republic and employees of the National Bank in accordance with the present Law.

Article 48. Operations on Securities Issued by the Government of the Kyrgyz Republic

1. The National Bank shall have the right to buy and sell securities issued by the Government of the Kyrgyz Republic on the secondary securities market, and act as a depository, as well.
2. The National Bank shall be prohibited from buying government securities of the Kyrgyz Republic at their initial placement.

Article 49. Bank Transactions on Accounts Maintenance of the Government of the Kyrgyz Republic

The National Bank shall carry out bank operations on accounts maintenance of the Government of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic.

Article 50. Consultations of the National Bank

1. The National Bank shall advise the President of the Kyrgyz Republic, the Jogorku Kenesh of the Kyrgyz Republic, and the Government of the Kyrgyz Republic on matters of its competence.
2. The Government of the Kyrgyz Republic shall consult with the National Bank when drafting the republican budget.
3. The National Bank shall act as a financial agent of the Government of the Kyrgyz Republic, including servicing the external debt of the Kyrgyz Republic on agreed terms.

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

1. The National Bank shall compile the balance of payments of the Kyrgyz Republic along with the authorized state statistics body.
2. The international balance of payments methodology, including guidance on the balance of payments and the international investment position, as well as guidance on monetary and financial statistics shall be used when compiling the balance of payments.
3. State bodies and bodies of local self-government, individuals and legal entities, regardless of the form of ownership, as well as non-residents staying within the territory of the Kyrgyz Republic, shall be obliged to submit to the National Bank information on the composition of indicators for compilation and forecast of the balance of payments in a timely manner according to the forms and in the time determined by the National Bank.
4. Failure to submit or untimely submission of information specified in this article shall entail liability in accordance with the legislation of the Kyrgyz Republic.

Глава 11. Relationships of the National Bank with Banks and Other Legal Entities Supervised by the National Bank**Article 52. Authorized Body of Supervision over Banking System of the Kyrgyz Republic**

1. The National Bank is the authorized body of supervision over the banking system of the Kyrgyz Republic.
2. The National Bank shall carry out banking supervision and establish the norms of regulations to ensure stability and reliability of the banking system of the Kyrgyz Republic, protect the interests of depositors, and comply with the banking legislation of the Kyrgyz Republic. The National Bank shall not interfere with the current activities of banks, save as herein otherwise provided.
3. The National Bank shall supervise the activities of non-banking financial and credit organizations and other legal entities supervised by the National Bank in accordance with the banking legislation of the Kyrgyz Republic.

Article 53. Loans Provided to Banks

1. In order to protect the integrity and stability of the banking system, maintain the liquidity of banks registered in the territory of the Kyrgyz Republic, the National Bank shall be entitled to provide loans to banks in national currency on a fee basis when providing one of the following types of collateral:

- 1) gold and other precious metals;
- 2) foreign currency;
- 3) deposits with the National Bank or any other credit institution;
- 4) securities issued by the Government of the Kyrgyz Republic;
- 5) other types of security.

2. The Board of the National Bank shall determine sufficiency and acceptability of the bank's assets provided as other types of collateral.

3. the National Bank shall determine types of loans, terms and procedure for their provision.

4. Providing loans in the form of overdrafts shall be prohibited.

5. The National Bank shall create special reserves (provisions) relating to the expenses of the National Bank to cover possible losses on assets, including loans.

6. The provision of loans to banks does not limit the powers of the National Bank to apply the enforcement actions provided for by the present Law.

Chapter 12. Reporting and Accounting, Audit and Budget of the National Bank**Article 54. Reporting and Information of the National Bank**

Bank shall submit a report on the activities of the National Bank to the Jogorku Kenesh of the Kyrgyz Republic no later than April 30 of the year following the reporting one.

2. The Jogorku Kenesh of the Kyrgyz Republic shall hear the annual report of the Chairman of the National Bank not later than July 1 of the year following the reporting one.

3. The report of the Chairman of the National Bank to the Jogorku Kenesh of the Kyrgyz Republic is heard taking into account the legal status of the National Bank.

4. The report of the Chairman of the National Bank on the activities of the National Bank shall include:

- 1) the financial statements of the National Bank that have been audited;
- 2) information on the activities of the National Bank for the reporting period;
- 3) other information determined by the Board of the National Bank.

5. The National Bank shall publish an annual report on the website of the National Bank, including the main analytical data relating to the state of the banking and payment systems of the Kyrgyz Republic.

6. The National Bank shall, at least twice a year, publish the official information of the National Bank on the main directions of monetary policy, as well as on development of the banking sector and the payment system of the Kyrgyz Republic, including various forms and principles of bank financing.

Article 55. Financial Reporting of the National Bank

1. The National Bank shall keep a constant reporting and accounting on its operations and financial condition in accordance with International Financial Reporting Standards (IFRS) subject to the provisions of the present Law.
2. The financial year of the National Bank shall be established from January 1 to December 31 inclusive.
3. The National Bank shall annually prepare a financial report consisting of the balance sheet of the National Bank and other related reports.
4. The Board of the National Bank shall establish the structure of the balance sheet of the National Bank. The National Bank shall publish annual financial statements after verification by an independent audit and approval by the Board of the National Bank no later than May 1 of the year following the reporting one.

Article 56. External Audit of the National Bank

1. The external audit of the National Bank shall be conducted on an annual basis in accordance with the international auditing standards.
2. The Jogorku Kenesh of the Kyrgyz Republic, based on the results of a tender conducted in accordance with the procedure developed by the National Bank and approved by the relevant Committee of the Jogorku Kenesh of the Kyrgyz Republic, shall review and approve the audit organization for a period of not less than six months before the end of the fiscal year. The audit organization should have a recognized international reputation and experience in conducting audits of central (national) banks for at least five years. The same audit organization cannot be considered and approved more than twice in a row.
3. An external audit of the National Bank may be conducted by both an auditing organization registered in the Kyrgyz Republic and having a relevant license, and a foreign audit organization that does not have a license to conduct auditing activities in the territory of the Kyrgyz Republic, but satisfies the requirements specified in subsection (2) of this section. The licenses of such foreign organizations are recognized in the territory of the Kyrgyz Republic upon availability of confirmation of the legitimacy of such license.
4. The National Bank, in accordance with the agreement concluded with the audit organization, shall provide it with the reporting and information necessary for conducting the audit in accordance with the international auditing practice.
5. Payment for the services of an audit organization on the external audit of the National Bank shall be made at the expense of the National Bank's own funds.

Article 57. Internal Control System

1. The National Bank shall have an adequate internal control system.
2. The Board of the National Bank shall ensure the proper organization and functioning of the bank's internal control system.

Article 58. Audit Committee of the National Bank

1. The Audit Committee shall work in the National Bank. The main objective of the Audit Committee is to assist the Board of the National Bank in ensuring an adequate internal control system, as well as to control the accounting procedures and preparation of financial statements of the National Bank.
2. The main functions of the Audit Committee are:
 - 1) assistance in enhancing effectiveness of the internal control system, risk management and corporate governance;
 - 2) supervision over the internal audit service;

3) ensuring the adequate application of accounting standards, monitoring the quality of financial reporting;

4) providing recommendations to the Board of the National Bank regarding the approval of an external auditor and assessing the compliance of the external auditor's work with the standards established by the legislation of the Kyrgyz Republic.

3. The Board of the National Bank shall determine the requirements for the members of the Audit Committee, their number, status, competence and house rules. The Board of the National Bank shall appoint the members of the Committee. The Audit Committee may include members of the Board of the National Bank, as well as other independent experts.

4. The members of the Audit Committee shall be subject to the restrictions established by the present Law for the members of the Board of the National Bank.

Article 59. Internal Audit of the National Bank

1. Internal audit in the National Bank is mandatory and shall be carried out on an ongoing basis.

2. Internal audit shall be conducted by the internal audit service supervised by the Board of the National Bank. The Board of the National Bank shall approve the Regulation on the Internal Audit Service.

3. The head of the Internal Audit Service shall be appointed and dismissed by the Board of the National Bank upon presentation of the Audit Committee of the National Bank.

Article 60. Budget of the National Bank

The budget of revenues and expenditures and the development budget of the National Bank for the next year shall be approved by the Board of the National Bank not later than December 31 of the previous year in accordance with the main parameters of the monetary policy and in accordance with the procedure established by the President of the Kyrgyz Republic.

Chapter 13. National Bank Management Organization

Article 61. Governing Bodies

1. The governing bodies of the National Bank are:

1) The Board of the National Bank - the supreme governing body;

2) The chairman of the National Bank - the highest executive officer.

2. The Board of the National Bank - a collegial body that shall determine the main activities of the National Bank and carry out general management of the activities of the National Bank.

3. The Board of the National Bank shall include the Chairman of the National Bank, three vice-chairmen and three members of the Board of the National Bank. The Board of the National Bank shall work on an ongoing basis.

Article 62. Requirements to the Position of a Chairman, his Deputies and Members of the Board of the National Bank

Persons who are citizens of the Kyrgyz Republic possessing an impeccable reputation, the necessary qualifications and professional experience in the financial, economic and/or legal sphere may be appointed to the position of a chairman, vice-chairmen and members of the Board of the National Bank.

Article 63. Restrictions to the Chairman, his Deputies and Members of the Board of the National Bank

1. The restrictions that have been established by the present Law for the employees of the National Bank shall apply to the chairman, vice-chairmen and members of the Board.
2. The chairman, vice-chairmen and members of the Board of the National Bank cannot participate in political parties, religious and other socio-political organizations.

Article 64. Procedure of Appointment and Terms of Office of the Chairman, Vice-chairmen and Members of the Board of the National Bank

1. The Chairman of the National Bank shall be elected by the Jogorku Kenesh of the Kyrgyz Republic upon the recommendation of the President of the Kyrgyz Republic for a period of seven years.
2. The President of the Kyrgyz Republic shall nominate a candidate for appointment to the position of the Chairman of the National Bank no later than three months before the expiration of the powers of the acting Chairman of the National Bank.
3. In case of early dismissal of the Chairman of the National Bank, the President of the Kyrgyz Republic shall nominate a candidate for this position no later than one month after the day of his dismissal. Prior to assuming the office of the newly elected chairman of the National Bank, one of the vice-chairmen of the National Bank shall perform his duties.
4. In case of rejection of the candidacy nominated for the office of the Chairman of the National Bank by the Jogorku Kenesh of the Kyrgyz Republic, the President of the Kyrgyz Republic shall make a new nomination within two weeks. The same nominee cannot be put forward more than twice.
5. Vice-chairmen and members of the Board of the National Bank shall be appointed by the President of the Kyrgyz Republic upon the recommendation of the Chairman of the National Bank for a term of seven years.
6. Nominees for appointment to the office of vice-chairmen and members of the Board of the National Bank shall be put forward by the chairman of the National Bank not later than two months before the expiry of the powers of the acting vice-chairmen and members of the Board of the National Bank.
7. In the event of early dismissal of vice-chairmen and nominees for these positions not later than one month from the day of their dismissal.
8. The same term of office may have no more than three members of the Board of the National Bank, including the chairman and vice-chairmen.
9. The Chairman of the National Bank, vice-chairmen and members of the Board of the National Bank may be re-appointed to the office not more than twice in a row.

Article 65. Grounds and Procedure of Dismissal of the Chairman, Vice-chairmen and Members of the Board of the National Bank

1. The Chairman, Vice-Chairmen and members of the Board of the National Bank shall be dismissed from office upon expiration of the term of office, as well as ahead of schedule, exclusively in the following cases:
 - 1) on a personal application;
 - 2) when it is impossible to perform official duties in connection with the state of health, confirmed by a medical certificate;
 - 3) in connection with the death or entry into legal force of a court decision adjudicating disappearance or death;
 - 4) in connection with the entry into force of the judgement conviction of the court;
 - 5) in connection with the loss of citizenship of the Kyrgyz Republic;
 - 6) when performing actions incompatible with the status of a member of the Board or violating the provisions of the present Law upon the recommendation of the majority of the members of the Board of the National Bank;

7) in case of non-compliance with the requirements for holding a position.

2. The Chairman of the National Bank shall be relieved of his duties by the Jogorku Kenesh of the Kyrgyz Republic.

3. Vice-chairmen and members of the Board of the National Bank shall be dismissed by the President of the Kyrgyz Republic upon the recommendation of the Chairman of the National Bank.

4. The President of the Kyrgyz Republic and the Jogorku Kenesh of the Kyrgyz Republic shall take a decision on the dismissal of the chairman, vice-chairmen and members of the Board of the National Bank, respectively, not later than one month prior to the expiration of their term of office.

5. In case of dismissal from the office on the grounds provided for in the clauses (1) 4) and 6) of this article, these persons may not claim to hold a position in the National Bank within fifteen years from the moment of dismissal.

Article 66. Remuneration of the Chairman, Vice-chairmen and Members of the Board of the National Bank

Official salaries of the Chairman of the National Bank, his deputies and members of the Board shall be established by the President of the Kyrgyz Republic, taking into account labor remuneration in competing markets and the terms of payment for civil servants.

Article 67. Work Organization of the Board of the National Bank

1. The activities of the Board of the National Bank shall be carried out through regular meetings, but at least once a month.

2. Meetings of the Board of the National Bank shall be considered eligible (quorum), if they are attended by the majority of the payroll of the Board of the National Bank. Decisions of the Board of the National Bank shall be considered to be adopted if the majority of the Board of Directors of the National Bank voted for them.

3. In the event of a conflict of interest on the issue under consideration, the chairman, vice-chairman or member of the Board of the National Bank shall not be entitled to participate in the discussion and voting on this issue.

4. The dissenting opinion of the chairman, vice-chairman or member of the Board of the National Bank who voted "against" is mandatorily recorded in the minutes of the meeting of the Board of the National Bank. Refraining from voting is not allowed.

5. The chairman, vice-chairman or members of the Board of the National Bank who were not present at the meeting of the Board of the National Bank shall be obliged to read the protocol of the meeting and the decisions adopted.

6. The Chairman of the National Bank shall chair the meetings of the Board of the National Bank. In the event of his absence, one of the vice-chairmen of the National Bank shall conduct the meeting of the Board of the National Bank.

7. Decisions of the Board of the National Bank shall be made in the form of resolutions of the Board of the National Bank.

8. Work organization of the Board of the National Bank, the procedure for holding meetings and taking decisions of the Board of the National Bank shall be determined by the Regulations of the Board of the National Bank.

Article 68. Powers of the Board of the National Bank

1. The Board of the National Bank shall be entitled to consider any matter within the competence of the National Bank.

2. The exclusive powers of the Board of the National Bank shall include decision-making on the following issues:

- 1) the main activities of the National Bank and policy;
 - 2) monetary policy in the Kyrgyz Republic;
 - 3) budget of the National Bank (budget of revenues and expenditures, development budget);
 - 4) the annual report and annual financial statements of the National Bank;
 - 5) the internal control system and external audit of the National Bank;
 - 6) types, sizes and procedures for formation and use of the reserves and accounts of the National Bank;
 - 7) statutory reserve requirements;
 - 8) instruments of short-term lending;
 - 9) issue of samples and denominations of bank notes and withdrawal of banknotes and coins from circulation;
 - 10) chart of accounts, rules for conducting operations of accounting and reporting of the National Bank;
 - 11) participation of the National Bank in international organizations;
 - 12) creation and liquidation of separate structural divisions of the National Bank on the territory of the Kyrgyz Republic and beyond, as well as legal entities;
 - 13) organizational structure and the maximum number of employees of the National Bank;
 - 14) determination of the list of positions of the employees of the National Bank, for which restrictions have been established by the legislation and the present Law;
 - 15) real estate transactions to ensure the activities of the National Bank, its agencies, organizations and employees;
 - 16) Regulations of the National Bank and the Regulations of the Board of the National Bank;
 - 17) adoption of regulatory legal acts of the National Bank;
 - 18) the introduction and termination of the Provisional Administration;
 - 19) issue of licenses to the persons determined by the Board of the National Bank and their withdrawal (cancellation);
 - 20) other issues attributed to the exclusive competence of the Board of the National Bank by the banking legislation of the Kyrgyz Republic.
3. The Board of the National Bank shall have the right to create auxiliary collegial bodies (committees and commissions).
4. The Board of the National Bank shall have the right to delegate some of its powers, with the exception of those that are attributed to its exclusive competence by the banking legislation of the Kyrgyz Republic.

Article 69. Powers of the Chairman of the National Bank

1. Chairman of the National Bank:

- 1) shall organize the work of the Board of the National Bank, conduct its meetings, sign resolutions adopted by the Board of the National Bank;
- 2) shall exercise administrative and managerial powers, take decisions on current activities with the exception of matters attributed to the exclusive competence of the Board of the National Bank;

- 3) shall represent the National Bank and act on its behalf without a power of attorney;
 - 4) shall issue powers of attorney;
 - 5) shall issue orders and instructions;
 - 6) shall approve the staffing table;
 - 7) shall exercise other powers provided for by the legislation and delegated by the Board of the National Bank.
2. In the absence of the Chairman of the National Bank, his duties shall be assigned to one of his deputies.

Chapter 14. Employees of the National Bank

Article 70. Employees of the National Bank

1. All employees of the National Bank, including the chairman, vice-chairmen and members of the Board, are the employees of the National Bank.
2. The Board of the National Bank shall determine qualification requirements to the employees of the National Bank, and other conditions for admission to work, unless otherwise provided for by the present Law.
3. The Board of the National Bank shall establish the system and procedure for remuneration of employees of the National Bank, taking into account the competitiveness of wages in the financial market, unless otherwise provided for by the present Law.
4. Employees of the National Bank shall comply with the principles of ethical conduct and avoid any cases that may cause a conflict of interest.
5. The National Bank shall have the right to maintain a database of its employees and their close relatives in order to monitor conflicts of interest. The National Bank shall establish the procedure for determining and preventing conflicts of interest. The National Bank shall ensure the safety and confidentiality of such information.
6. The legal protection and responsibility of employees of the National Bank in connection with the performance of their official duties shall be determined by the present Law.

Article 71. Social Protection of the Employees of the National Bank

For the purposes of social protection of its employees, the Board of the National Bank shall be entitled, at its own expense:

- 1) to organize life insurance and medical insurance, additional pension provision for employees of the National Bank. Separate categories of employees are subject to compulsory insurance according to the list approved by the Board of the National Bank;
- 2) shall arrange the issue of housing loans, consumer loans and purchase of real estate for the employees of the National Bank in accordance with the established procedure;
- 3) shall take other measures of social protection (social package) of the employees of the National Bank.

Article 72. Restrictions for the Employees of the National Bank

1. Employees of the National Bank, according to the list of positions approved by the Board of the National Bank, shall be prohibited:

1) to be the deputies of the Jogorku Kenesh of the Kyrgyz Republic and local keneshes, members of the Government of the Kyrgyz Republic or to belong to another state or municipal service, and also to have citizenship of another state;

2) to hold positions in banks or other legal entities supervised by the National Bank;

3) to work in other organizations, including part-time jobs, as well as provide services under a civil law agreement (with the exception of teaching, research and creative activities).

This prohibition shall not apply to the official representation of the interests of the National Bank and the Kyrgyz Republic by the employees of the National Bank before the organizations, to which the National Bank is a party, to hold posts and positions at the international financial and credit organizations and other organizations to which the Kyrgyz Republic is a party, stipulated by the legislation of the Kyrgyz Republic;

4) to receive loans from banks and microfinance organizations;

5) to acquire securities, if this can lead to a conflict of interest. An employee of the National Bank shall transfer the securities belonging to him to trust management for the period of work in the National Bank in the manner established by the National Bank;

6) to be an attorney or representative for the third parties in the National Bank, unless otherwise provided for by the present Law.

2. Non-observance of restrictions for the employees of the National Bank that have been established by the present article shall refer to a gross violation of labor duties.

Article 73. Protection of Confidential Information

1. The National Bank shall have a system of protecting official and other confidential information, as well as the data constituting bank secrecy.

2. Employees of the National Bank shall be prohibited from disclosing official and other confidential information, as well as the data constituting bank secrecy. Such information shall be disclosed in accordance with the legislation of the Kyrgyz Republic.

3. Disclosure of information specified in this article shall entail liability in accordance with the legislation of the Kyrgyz Republic.

Article 74. Legal Protection of the Employees and Authorized Representatives of the National Bank

1. Employees of the National Bank, the head of the Provisional Administration and his representatives, as well as other persons representing the rights and legitimate interests of the National Bank, shall not bear civil responsibility to any person for any losses in the course of lawful performance of their official duties or legal assignment. Complaints and claims in connection with their unlawful activities can be brought only against the National Bank. The National Bank shall have the right to bring claims in recourse.

2. The National Bank shall ensure the legal protection of its employees in the courts and law enforcement agencies with payment of necessary expenses at its own expense, or by compensating for the incurred by employees.

3. The National Bank shall not be liable for epy losses incurred as a result of lawful application of enforcement actions to the bank and fulfillment of other powers provided for by the present Law.

Chapter 15. Property Rights and Security of the National Bank

Article 75. Property and Security of the Activity of the National Bank

1. The National Bank shall independently own, use and dispose of its cash, buildings, facilities, equipment, transport and other property.
2. The state shall guarantee protection of the legitimate property rights of the National Bank and cannot withdraw or reduce its property. The property of the National Bank, including capital, monetary and fixed assets, other tangible assets, is the property of the National Bank and cannot be encumbered with obligations other than as decided by the court in accordance with the legislation of the Kyrgyz Republic.
3. The National Bank shall have the right to acquire or lease, including gratuitous use, any property solely for ensuring the activities of the National Bank, exercise of its functions and powers, and the social protection of its employees.
4. The National Bank shall be entitled to be a holder of shares or otherwise participate in the activities of legal entities in order to realize the main task of the National Bank, as well as development of the economy of the Kyrgyz Republic.
5. The National Bank shall establish the procedure for alienating unsuitable or unused material assets.
6. The National Bank shall have the right to acquire any rights of the creditor in any form with subsequent alienation in time not later than two years.
7. The National Bank shall be obliged to take measures to ensure safety of its activities, including those aimed at preservation of property, cash and other assets, as well as protection of employees and information in accordance with the international requirements for the activities of central banks.
8. The National Bank has structural units with the right to store, carry and use military firearms and special means.

Article 76. Taxation, customs duties and state fee

1. Taxation of the National Bank shall be carried out in accordance with the tax legislation of the Kyrgyz Republic.
2. The National Bank shall make customs payments in accordance with the customs legislation of the Kyrgyz Republic.
3. The National Bank and its regional divisions shall be exempted from payment of the state duty on all notarial acts, as well as in all judicial instances as a plaintiff and defendant in accordance with the legislation of the Kyrgyz Republic.

Section III. Banks

Chapter 16. Legal Status of the Bank. Basic Requirements to Banking Institutions

Article 77. Bank

1. A bank is a legal entity created in the organizational and legal form of a joint-stock company (closed or open) and authorized to conduct banking activities on the basis of a corresponding license issued by the National Bank in accordance with the present Law.

The banks also refer to branches of foreign banks, save as herein otherwise provided.

2. The Bank shall acquire the status of a legal entity from the day of its state registration in accordance with the legislation of the Kyrgyz Republic. Authorization of the National Bank for establishment of a bank shall be submitted for the state registration of a bank as a legal entity.

3. The Bank has its name, capital and governing bodies in accordance with the requirements of the present Law.

4. The Bank shall be entitled to conduct banking activities based on a license issued by the National Bank.

5. The Islamic bank or a bank that has an Islamic window shall carry out its activities in accordance with the Islamic principles of banking industry and financing on the basis of the relevant license of the National Bank.

6. The state bodies and their officials shall be prohibited from interfering with the legitimate activities of banks, except on the grounds provided for by the present Law and the laws of the Kyrgyz Republic.

7. The bank shall not be liable for the obligations of the state. The state shall not be liable for the obligations of the bank, except for the cases when the state itself has assumed such obligations or the legislation of the Kyrgyz Republic provides otherwise.

8. The bank shall not be liable for the obligations of the National Bank. The National Bank shall not be liable for the obligations of the bank.

Article 78. Name of the Bank

1. The Bank has its official name - full and abbreviated. The name of the bank is indicated in the charter of the bank. The name of the bank should contain an indication of the organizational and legal form, the type of activity (bank) and the nominal name in accordance with the legislation of the Kyrgyz Republic.

2. The Bank shall not use the words "mamleketтик", "state", "Kyrgyzstan", "Uluttuk", "National", "Borborduk", "Central", "KyrgyzBank", "Bank of Kyrgyzstan", abbreviations "NBKR", "CBKR" in full or in abbreviated form in any language and in any combination.

3. It is not allowed to use the designations identical or similar to the degree of their confusion with the name of previously created or created banks in the territory of the Kyrgyz Republic as a name.

4. It is prohibited to use a name other than the official one by the bank. A changed name of the bank is subject to publication by the bank in the mass media within ten working days from the date of state re-registration.

5. Other legal entities shall be prohibited from using the word "bank" and any other its derivative words in their names.

6. The banks that carry out their activities in accordance with the Islamic principles of banking industry and financing have the right to use the word "Islamic" in the name of the bank based on the relevant license.

7. The National Bank shall be entitled to refuse to agree on the name of the bank in case of non-compliance with the requirements established by the National Bank.

Article 79. Bank Institution

1. The bank shall be established in accordance with the Civil Legislation of the Kyrgyz Republic, taking into account the specifics provided for by the present Law.

2. The founders of the bank may be individuals and/or legal entities that meet the requirements established by the present Law.

3. The founders of the bank cannot be:

1) individuals and legal entities residing and/or registered in the offshore zones or having affiliated parties as participants registered in offshore zones, the list of which is established by the National Bank.

Affiliated parties are:

significant participants of the legal entity;

Legal entities in which the same legal entity is a significant participant;

2) individuals and legal entities, on whom have been passed international sanctions adopted by the UN Security Council, as well as individuals and legal entities registered in the states on which have been passed international sanctions adopted by the UN Security Council, prohibiting legal relations with these parties and binding for the Kyrgyz Republic;

3) individuals and legal entities who did not provide information on their activities, financial condition, membership of the participants and any other information and documents that allow them to identify and examine the participants of the legal entity accurately, including beneficial owners, or to provide such information that do not allow to identify and study the participants of the legal entity accurately, including the beneficiary owners, and also in case they did not confirm their impeccable business reputation in accordance with the established procedure;

4) individuals and legal entities that, in accordance with the procedure established by the National Bank, did not confirm the legitimacy of the source of origin of funds directed to acquisition of bank shares;

5) legal entities financed from the republican or local budgets, with the exception of the Government of the Kyrgyz Republic;

6) individuals and legal entities, who are subjected to any prohibitions or restrictions in accordance with the legislation of the Kyrgyz Republic or the legislation of a foreign state.

4. Transactions related to acquisition of bank shares by legal entities or individuals specified in subsection (3) of this section are void transactions.

5. Founders - legal entities not engaged in banking and/or financial activities cannot directly or indirectly own or manage twenty percent or more of voting shares of any type or control the bank. The National Bank shall determine the types and criteria of financial activities and activities related to banking and/or financial activities are.

6. The requirements of the present Law on acquisition of a threshold participation in the bank's capital are applied to the bank's founders.

7. Restrictions established for the bank's founders shall apply to the shareholders of the bank.

Article 80. Constituent Documents of the Bank

1. Constituent documents of the bank in the period of establishment and before the founders fulfill their obligations are the constituent agreement and the charter, and in the subsequent - the charter.

2. The charter of the bank, in addition to the information provided for by the law, shall contain the following:

1) information on the decision of the constituent or general meeting on the approval of the charter;

2) full and abbreviated official name of the bank in the state and official languages;

3) the legal address of the bank's location;

4) provisions on the governing bodies of the bank;

5) the procedure for making decisions by the governing bodies of the bank;

6) provision on compliance with the requirements of the legislation of the Kyrgyz Republic in the event that a branch or representative office of a foreign bank is opened.

3. Changes and amendments to the charter of the bank related to change of the name, governing bodies, authorized capital, and other changes affecting the management of the bank are subject to mandatory agreement with the National Bank.

4. The written consent of the National Bank to the amendments and additions introduced to the charter of the bank with the exception of changes in the size and structure of the bank's capital, shall be given not later than one month from the date of receipt of the relevant application with the bank's documents and in the absence of grounds for refusal to agree. The amendments to the capital of the bank should be agreed upon within three months.

5. The National Bank shall establish the order and procedures for agreeing changes and additions to the charter of the bank.

6. The approval of amendments and additions to the charter may be refused in the following cases:

1) if the documents submitted do not comply with the requirements or represent unreliable documents and information;

2) if the decision of the general meeting of shareholders is taken in violation of the legislation of the Kyrgyz Republic;

3) if the amount of the authorized capital becomes less than the established minimum amount;

4) if a subscription to shares under the previous issue was not made, their full value was not paid in due time, or shares were issued and paid in violation of the legislation of the Kyrgyz Republic, or the legality of the source of funds directed to the acquisition of shares was not confirmed;

5) in the absence of the permit of the National Bank to acquire a threshold capital participation of the bank in accordance with the present Law;

6) if it threatens stability and safe operation of the bank.

7. Amendments and additions to the charter of the bank are subject to state registration. The bank shall be obliged to inform the National Bank about the results of the state registration procedure within five working days from the date of receipt of the state re-registration certificate.

8. In case of changing the amount of the authorized capital, the bank shall be obliged to notify the National Bank of the results of the final registration of the issue of the bank's securities within one month in accordance with the legislation on securities.

Article 81. Permit for Founding a Bank

1. The founders of the bank shall apply to the National Bank for permit to establish a bank (hereinafter - the permit).

2. In order to obtain a permit, the National Bank shall be provided with documents in accordance with the list, requirements and procedure established by the National Bank.

3. The permit shall be issued within a period not exceeding six months from the date of receipt of the application and all satisfactory documents.

When considering an application for issue of a permit, the National Bank shall be entitled to request information and consult with authorized bodies, including foreign supervisory authorities.

In the event that the documents do not comply with the requirements of the National Bank, the countdown shall begin on the day of receipt of satisfactory documents. The term for issuing a permit by a decision of the Board of the National Bank may be extended for six months.

4. Following consideration of the application for a permit, the National Bank shall decide whether to issue a permit or refuse.

The permit shall be valid for six months. The founders shall be obliged to make a state registration of the bank they established as a legal entity and apply to the National Bank for a license during this period.

5. In the period after issue of the permit and prior to receipt of a license, the bank and its founders shall be obliged to notify the National Bank of any changes in the information based on which the permit was received within a period not later than five working days from the date of the changes made.

6. Issue of permit may be refused on any of the following grounds:

1) non-compliance of constituent and other documents with the specified requirements or submission of inaccurate documents and information;

2) failure to provide or provision of the information and documents on the participants of the banking group not to the fullest extent or impossibility of effective banking supervision over the banking group or persons associated with the participants of the banking group;

- 3) failure to provide or provision of the information and documents on the legitimacy of the sources of origin of monetary funds not to the fullest extent or impossibility of determining the legitimacy of the origin of funds;
- 4) the amount of the minimum authorized capital does not meet the established requirements;
- 5) the founders do not meet the requirements established by the present Law;
- 6) persons claiming to hold a position in the bank (officials) do not meet the requirements established by the present Law;
- 7) when opening a subsidiary bank by a foreign bank or a financial and credit organization, the official consent of the foreign supervisory authority was not submitted or no confirmation was provided that such consent is not required by the legislation of the country of the founder;
- 8) supervision over a foreign founder - a bank or a financial and credit organization, as well as a member of a banking group at the place of its registration, including on a consolidated basis, was insufficient according to the assessment of the National Bank.

7. The National Bank shall have the right to cancel the previously issued permit in the following cases:

- 1) upon discovery of inaccurate information and documents on the basis of which a permit was issued;
- 2) if the financial condition of the founders has deteriorated or the facts have been established based on which the permit may be refused;
- 3) if there have been changes in the composition of founders, in constituent and other documents without the consent of the National Bank;
- 4) if the founders of the bank refused or do not take any further actions to establish the bank.

8. If the authorization is cancelled, the National Bank shall inform the authorized body on conducting state registration of legal entities.

9. In the event of withdrawal of an application for a permit, as well as a refusal to issue or revoke a permit, the submitted documents shall not be returned.

10. The National Bank shall publish information on issued permits, denial of permits and cancellation of permits.

Article 82. Issue of a License for the Right to Conducting Banking Operations

1. In order to obtain a license to conduct banking operations (hereinafter referred to as a license), the founders of the bank shall apply to the National Bank for a license within a period of validity of the permit. The application shall be accompanied by the documents and information on fulfillment of the following requirements:

- 1) availability of a certificate of state registration;
- 2) confirmation of full payment of the minimum authorized capital;
- 3) compliance of the premises and equipment of the bank with security requirements established by the National Bank;
- 4) selection of an independent external auditor for the forthcoming fiscal year;
- 5) availability of organizational structure, governing bodies and bank personnel (officials) in accordance with the requirements of the National Bank;
- 6) availability of a business plan, all major policies, regulations and procedures of the bank;
- 7) provision of information on compliance with all the norms and requirements of the National Bank on capital after commencement of its activities;
- 8) availability of internal control system, technical, information, technological protection measures, property insurance;
- 9) successful testing of information systems and security systems for implementation of banking activities;

10) payment for a license;

11) payment of the entrance fee to the Deposit Protection Fund.

2. The National Bank shall consider the application for a license within a period not exceeding six months. The National Bank shall decide whether to issue or refuse to issue a license based on the results of the review.

3. The National Bank shall be entitled to refuse to issue a license, specifying the grounds for refusal in the following cases:

1) an application for a license is filed after expiration of the permit;

2) the documents and information submitted do not meet the requirements established by this article;

3) if there are grounds for cancellation of the permit in accordance with the present Law.

4. In case of refusal to issue a license, the documents submitted shall not be returned.

5. The license shall be issued by the National Bank in the order established by the present Law. A list of authorized banking transactions is attached to the license, which is an integral part of it.

6. The National Bank shall establish the procedure for obtaining a license to conduct banking operations and transactions in accordance with the Islamic principles of bank industry and financing, the status of Islamic banks and banks that have an "Islamic window".

7. The license shall be valid throughout the territory of the Kyrgyz Republic, has an unlimited duration, is nominal (inalienable) and shall not be transferable to third parties. Carrying out banking operations without a license shall be prohibited.

8. The National Bank shall maintain a register of banks that have a license. Information from the register of banks shall be published on the website of the National Bank.

Article 83. Withdrawal of a License

1. The National Bank shall withdraw the license in the following cases:

1) if the license was obtained on the basis of knowingly false documents, as well as by fraudulent or other illegal means;

2) if the bank is engaged in any activities prohibited by the legislation;

3) from a branch of a foreign bank - in case of withdrawal of a license from the head foreign bank;

4) The National Bank has established insolvency of the bank in accordance with the present Law.

2. The license may be withdrawn by the National Bank in the following cases, if:

1) the bank did not start banking activities within twelve months after receiving the license or ceased banking for more than six months;

2) the bank does not make mandatory contributions to the Deposit Protection Fund;

3) the bank has violated the requirements of the banking legislation of the Kyrgyz Republic affecting its stability;

4) the bank does not fulfill its obligations to clients without legal grounds;

5) the bank does not comply with the regulations and other mandatory requirements of the National Bank, non-fulfillment of which is a real threat to the interests of creditors and depositors;

6) the bank does not provide information systematically in due time or provides untrue information related to management, internal control, financial reporting of the bank;

7) the bank carries out unsafe, unreliable and unhealthy banking activities;

- 8) the bank published deliberately inaccurate information regularly or otherwise misled clients about their activities;
- 9) the bank will prevent inspections, direct banking supervision, the activities of the Provisional Administration by its actions or inaction;
- 10) the bank has violated the requirements for conducting an external audit in accordance with the present Law;
- 11) the bank ceases to operate as a result of the reorganization procedure;
- 12) obstacles in implementation of proper consolidated supervision with respect to the bank and members of the banking group have occurred;
- 13) the bank's request for voluntary liquidation of the bank was satisfied;
- 14) in other cases established by the present Law and laws of the Kyrgyz Republic.

3. From the moment the license is withdrawn, all banking operations and other activities of the bank are terminated, except for the cases of termination of settlements with creditors by the decision of the National Bank. Withdrawal of a license shall entail termination of activities and liquidation of a bank.

4. The National Bank shall publish information on withdrawal of the license in mass media and on the website of the National Bank.

Article 84. Capital and Shares of the Bank

1. The capital of the bank shall serve as security of profitable and sustainable growth of the bank to cover potential losses inherent in banking is the guarantor of client confidence in the bank and shall act as a measure of protection against possible risks that may arise in the conduct of banking activities.

2. The National Bank shall determine the size of the bank's capital, its structure, and establish economic norms, requirements and restrictions in relation to it for the purposes of supervision.

3. The basis of the bank's capital is fully paid-up authorized capital. The capital of the bank shall include only such authorized capital, under which the bank has no obligations to repay the funds invested by shareholders, and shall meet the requirements of the National Bank.

4. The authorized capital of the bank shall be formed only in the national currency of the Kyrgyz Republic in a non-cash form solely at the expense of shareholders (founders). The change in the amount of the authorized capital shall be made with the consent of the National Bank.

5. The National Bank shall establish minimum amount of the charter capital for the banks.

Attention! In accordance with the Law KR dated December 16, 2016 No. 207, paragraph 5 article 84 of the present Law for the operating banks shall come into force from July 1, 2018.

6. The Bank shall issue shares in accordance with the legislation of the Kyrgyz Republic with account of the requirements provided by the banking legislation of the Kyrgyz Republic.

7. When forming or increasing the amount of the authorized capital of a bank, payment for shares may be made only in cash, except for the case of restructuring or reorganization of the bank provided for by the present Law, as well as the direction of undistributed profits for replenishment of the authorized capital of the bank. Formation or increase of the size of the authorized capital of the bank by basic means, tangible and intangible assets shall not be allowed.

8. The bank may issue only registered shares. The bank's shares can be simple and preferred. The volume of preferred shares cannot exceed twenty-five percent of the authorized capital of the bank.

9. The Bank shall not have the right to pledge its own shares.

10. The bank shall be obliged to contribute in the amount of the minimum authorized capital to the account opened with the National Bank prior to obtaining a license.

11. The Bank shall be prohibited from guaranteeing the payment of dividends on common shares to shareholders.

12. The National Bank shall be entitled to prohibit or restrict the payment of dividends in the following cases:

- 1) if it leads to violation of the bank's economic standards;
- 2) if the capital adequacy ratio of the bank is below the minimum limit established by the National Bank;
- 3) if reserves are not created or created in insufficient amount to cover potential losses, as required by the National Bank;
- 4) if the bank has uncovered losses for the previous years and/or for the reporting year;
- 5) if the financial condition of the bank worsens;
- 6) in other cases provided for by the law.

Article 85. Threshold Participation in the Capital of the Bank

1. Threshold participation in the capital of the bank is either sole or in common with other persons, direct or indirect possession or management of ten or more, twenty or more, thirty-three or more, fifty or more, sixty-seven or more percent of the bank's voting shares (thresholds).

2. Any individual or legal entity intending to acquire a threshold participation in the capital of the bank, including significant participation and control, number through additional acquisition of shares, individually or jointly with other persons, regardless of the method of acquiring ownership of the shares, including inheritance or restoration of ownership, shall obtain a written permission of the National Bank.

3. Any individual or legal person who owns a threshold participation in the capital of the bank intending to divest shares in the amount affecting the change in the threshold value individually or jointly with other persons regardless of the method of alienation, shall be obliged to notify the National Bank prior to the transaction.

4. Significant participation - sole or jointly with other persons, directly or indirectly ownership or management of ten percent or more of the voting shares of the joint-stock company, or ten percent or more of the charter capital of a legal entity that is not a joint-stock company.

5. Control - sole or jointly with other persons:

1) direct or indirect ownership or management of more than fifty percent of the voting shares of a joint-stock company or the authorized capital of a legal entity that is not a joint-stock company;
or

2) possibility to elect, at least, half of the members of the Board of Directors of a legal entity; or

3) possibility of exercising a determining influence on the management or policy of this legal entity directly or indirectly regardless of participation in the capital of a legal entity.

6. Indirect ownership - the ability to exercise a significant influence on decision-making by the bank's management bodies or significant bank participants, or persons exercising control over the bank or participants in the banking group through a third party.

7. Persons shall be recognized jointly owning shares of the bank in cases if they:

- 1) are close relatives (spouse, parents, children, adopters, adopted, full-grown and half-brothers and sisters, grandfather, grandmother, grandchildren);
- 2) are officials - shareholders of the bank;
- 3) are significant participants, individually or jointly;
- 4) jointly own shares by virtue of a contract or otherwise:

- a) on voting on the management of the bank;
- b) on provision of shares in a mortgage with voting rights;
- c) transfer of voting rights on shares;
- d) on transfer of shares in trust management or on the deposit in another manner with the right to manage;
- e) when the shares are acquired in their favor, but on behalf of another person;
- e) in case of representation by proxy or other legal representation;
- g) if there are common interests.

8. The common interests between two and/or more individuals and legal persons shall be recognized as existing if any of the following conditions exist, if:

- 1) one legal entity or individual controls another legal entity or individual;
- 2) these persons are related to the bank;
- 3) one of these persons is an associate of another person.

Article 86. Procedure for Permitting to Acquisition of Threshold Participation in a Capital of the Operating Bank

1. The National Bank shall establish the procedure for permitting to acquire threshold participation in the capital of the bank.

2., The interested person shall apply to the National Bank with a statement attaching relevant documents and information in order to obtain a permit. Documents that do not meet the requirements of the National Bank shall be returned without consideration.

3. Upon the application, the National Bank shall take a decision not later than sixty calendar days from the date of the applicant's notification on receipt of the application. The National Bank shall be entitled to extend the period for consideration of the application for thirty calendar days. The National Bank shall notify the applicant of its decision - consent or refusal in writing. Refusal should be motivated.

4. The National Bank shall have the right to refuse to satisfy the application, if:

- 1) satisfaction of the application may lead to a monopoly in the banking system of the Kyrgyz Republic;
- 2) the applicant's financial condition is unsatisfactory;
- 3) there are facts indicative of the faulty business reputation of the applicant, his beneficial owners and officials (if the applicant is a legal entity);
- 4) the applicant has submitted misleading or unreliable (false) information;
- 5) there is reliable information that the applicant has participated in or is involved in illegal financial or other activities;
- 6) the previous activity of the applicant ended in bankruptcy or contributed to the bankruptcy or significant financial loss of any legal entity;
- 7) the officials of the applicant-legal entity intending to become bank supervisors do not comply with the requirements of the banking legislation;

8) the interests of the depositors of the bank may be damaged or it will be impossible to supervise the bank effectively due to the existing relations between the bank and the applicant and/or the persons related to the bank and/or companies whom the applicant has common interests with;

- 9) it is impossible to identify the beneficiary owners of the applicant;

10) the applicant expects a significant change in the bank's policy, which threatens its financial stability, reliability or interests of the bank's depositors;

11) the applicant is a foreign legal entity subject to supervision by the supervisory authority in the country of origin (registration) and if:

a) they are not provided with confirmed information to the National Bank that effective supervision is carried out in the country of origin (registration), including on a consolidated basis;

b) the applicant is not effectively supervised, including on a consolidated basis according to the assessment of the National Bank;

c) cooperation with the supervisory authority of the country of origin (registration) of the applicant is impossible.

5. The National Bank shall be entitled to require additional information from any legal entities controlled by a person who can become a significant participant or supervisor of the bank or may invest in a bank as a result of which the bank may become an associate of the entity.

6. The National Bank shall verify reliability of any information and documents submitted by shareholders who own a threshold participation in the capital of the bank, as well as the sources and legitimacy of the origin of funds directed to participate in the capital (acquisition of shares) of the bank.

7. In the event that a transaction involving shares of a bank in the secondary market falls within the scope of Article 85 of the present Law, a professional participant in the securities market shall demand, and any individual or legal person shall be obliged to provide him with a written permission of the National Bank to enter into this transaction.

8. If a person has acquired a threshold participation in the capital of the bank on the basis of the permit of the National Bank, which was received based on untrue (false) information, or it ceased to meet the requirements imposed on the founders provided for by the present Law, the National Bank shall withdraw the permit to acquire shares previously issued to the applicant in accordance with this article. It shall lead to the consequences specified in subsection 11 of this article.

9. If the threshold participation in the capital of the bank was acquired without the permit of the National Bank, such a transaction is knowingly void. Such transactions lead to the consequences specified in subsection 11 of this article.

The National Bank shall have the right to file a legal claim with a request to apply the consequences of the nullity of a void transaction.

10. If a person shall acquire the right of share ownership by inheritance or by restoring rights to them in the amount of threshold participation in the capital of the bank before the approval of the National Bank, the consequences specified in the first part of paragraph 11 of this article shall apply.

Refusal to issue a permit of the National Bank to these persons shall lead to the consequences stipulated in the second paragraph of Part 11 of this article.

11. In the cases specified in parts 8, 9 and 10 of this article, votes for such shares shall not be taken into account in calculating the quorum and decision-making. All previously adopted decisions shall be considered invalid if the number of votes on such shares affected the decision-making on substance.

In the cases specified in parts 8 and 10 of this article, the person in breach shall be obliged to sell the corresponding block of shares to the persons that are not associated with him for a period determined by the National Bank. Otherwise, the National Bank shall apply to the court for the compulsory transfer of shares of this person.

12. The National Bank shall notify the independent registrar of the bank of occurrence of the consequences specified in subsection 11 of this article.

Article 87. Reserves Established by the Bank

1. The bank shall be required to create the appropriate reserves and to reflect the real value of assets in the financial statements to cover losses associated with the implementation of banking activities in due time in accordance with international financial reporting standards.

2. The National Bank shall have the right to determine the size, procedure for formation and methods of calculating the reserves established by the bank in case of coverage of losses on assets bearing credit and other risks attributable to the bank's costs for regulatory purposes.

3. The bank shall create capital and other reserves depending on the nature and scale of the transactions in order to ensure control and reliability of its activities in accordance with the international standards of financial reporting and regulatory legal acts of the National Bank.

Article 88. Requirements to Business-plan

1. Business plan of the bank should disclose the strategy and scope of the bank's activities. The business plan shall be drawn up for the current three years, and shall include:

- 1) the business case and financial prospects of the bank's activities (budget, forecast balance sheet, calculation of capital adequacy, income and expenses);
- 2) the structure of management and internal control system;
- 3) credit policy (a mechanism for assessing the lending risk in, a mechanism for the continuous monitoring of loans issued and other issues related to the credit policy of the bank) and a credit strategy;
- 4) mechanism of protection against operations related to the financing of terrorism and anti-money laundering;
- 5) a plan to attract clients and create a client base of the bank;
- 6) the plan for carrying out the personnel policy of the bank;
- 7) assets and liability management plan;
- 8) other aspects of activities determined by the National Bank.

2. The business plan should allow estimating:

- 1) the bank's ability to ensure financial stability, compliance with economic standards, mandatory reserve requirements, compliance with legal requirements;
- 2) the ability of the bank to long-term existence as a profitable financial institution;
- 3) adequacy of the risk management system.

3. The business plan should be drawn up taking into account the following requirements:

- 1) calculations and forecasts should be made taking into account the real economic conditions of the market segment in which the bank will operate;
- 2) a description of the impact of the bank's operations on improving the country's economy should be provided, indicating the amount of investment in the economy, including loans;
- 3) the prerequisites and forecasts should be compiled on the basis of qualitative and verified information;
- 4) to achieve a good profitability of the bank within a reasonable time;
- 5) the adequacy of the bank's capital shall meet the requirements set by the National Bank and be sufficient to maintain the projected asset growth, cover risks and support the initial costs associated with the organization of the bank's activities.

4. The business plan shall be subject to annual review. The revised business plan for the forthcoming period shall be submitted to the National Bank by December 31 of the current year.

5. In the event of a discrepancy in the business plan of the actual activities of the bank, the bank shall immediately review it. The revised business plan shall be submitted to the National Bank within a month.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Article 89. Requirements to Subsidiary and Affiliated Companies of the Bank

1. A subsidiary company of a bank is a legal entity controlled by a bank (parent company). The subsidiary bank of a subsidiary bank is also treated as a subsidiary bank of the parent company.

Affiliated company of a bank is a legal entity in which the bank, alone or jointly with another person, directly or indirectly shall own or manage twenty percent or more of voting shares, or shares in the capital of a legal entity.

These definitions shall apply to other legal entities.

2. Establishment or acquisition of a subsidiary company by a bank shall be carried out based on a written permit of the National Bank, provided the following conditions are met, if:

- 1) ownership and management structure, financial capabilities of the bank and its subsidiary will meet the criteria established by the National Bank;
- 2) procedures for controlling the risk in the bank arising in the activities of the subsidiary, and procedures aimed at maintaining the corporate identity of the bank and its subsidiary;
- 3) establishment or acquisition of a subsidiary company will not create significant risks for the bank's financial stability;
- 4) other requirements established by the National Bank are met.

3. Subsidiary companies of the bank may carry out only banking and/or financial activities, as well as activities related to implementation of banking and/or financial activities.

4. The bank may acquire or establish the affiliated company with the written permit of the National Bank. Affiliated companies of banks can only carry out banking and/or financial activities, including activities related to banking and/or financial activities.

5. The Bank shall not be entitled to acquire a subsidiary or an affiliated company, if:

1) the company is registered and/or carries out its activities in offshore zones, the list of which is determined by the National Bank, as well as in the states and territories, which are subject to the international sanctions adopted by the UN Security Council, mandatory for the Kyrgyz Republic;

2) the participants of the company are the persons for whom restrictions shall be established by the present Law.

6. The Bank shall not be entitled to establish a subsidiary or affiliated company, if:

1) registration and/or implementation of the activities of such a company is expected in offshore zones, the list of which is determined by the National Bank, as well as in the states and territories, which are subject to the international sanctions adopted by the UN Security Council, mandatory for the Kyrgyz Republic;

2) the co-founders of such a company are the persons for whom restrictions shall be established by the present Law.

7. The National Bank shall determine the procedure for authorizing establishment and/or acquisition of a subsidiary and/or affiliated company of a bank.

Article 90. Branch of the Bank and Other Separate Subdivisions

1. The Bank may establish its own branch in the territory of the Kyrgyz Republic. A branch of a bank is its separate subdivision located outside the location of the bank, which is not a legal entity, carrying out all or part of banking operations on behalf of the bank and operating within the limits of the authority granted. Information on the branch of the bank should be contained in the charter of the bank.

2. The branch shall be vested with the property of the bank, shall have a single balance with the bank, as well as a name that completely coincides with the name of the bank with the addition of the word "branch". Heads of branches shall be appointed by the bank and act on the basis of the power of attorney issued to them. A list of operations and other powers of the branch manager shall be indicated in the power of attorney.

3. The actions of the branch shall be considered as actions of a bank - a legal entity. The bank shall be fully responsible for the actions of its branch.

4. The National Bank shall establish the procedure and conditions for establishment of a bank branch.
5. The bank shall be obliged to notify the National Bank of the registration of the bank branch within five working days. The National Bank shall maintain a register of bank branches.
6. The bank may open its branch abroad with the permission of the National Bank. The National Bank shall establish the procedure for issuing permission to open a bank branch abroad.
7. Opening of a bank branch abroad may be refused on the grounds provided for in the order of permitting to the National Bank, and also if:
 - 1) sufficient and effective banking supervision is not provided in the host country, including on a consolidated basis;
 - 2) there is no possibility of effective cooperation with the supervisory authorities of the host country, including the possibility of exchanging information.
8. The Bank may establish separate subdivisions in the territory of the Kyrgyz Republic in the form of savings banks and other separate subdivisions for providing banking services.
9. The National Bank shall determine the procedure for opening and specific features of the activity of savings banks and other separate subdivisions.

Article 91. Branch of a Foreign Bank

1. Branches of foreign banks with a strong financial position, an impeccable business reputation may be opened in the territory of the Kyrgyz Republic, providing conclusion of an agreement on cooperation between the supervisory authority of the country where the foreign bank is registered and the National Bank.
2. A branch of a foreign bank shall have a name that completely coincides with the name of the bank with the addition of the word "branch".
3. Branches of foreign banks shall operate on the basis of a license issued by the National Bank. The National Bank shall establish the features of licensing and activities of branches of foreign banks.
4. An application of a foreign bank to open a branch in the territory of the Kyrgyz Republic shall be considered within six months. The Board of the National Bank may extend the period for consideration of the application for six months.
5. An official consent of the banking supervisory authority of the country where a foreign bank is registered is required to open a branch of a foreign bank. Foreign banks shall allocate their branches with irrevocable and perpetual cash in the amount corresponding to the requirements of the National Bank to the capital of the bank.
6. Issue of a license to the branch of a foreign bank may be refused in the following cases:
 - 1) in case of inconsistency of constituent and other documents with the requirements of the banking legislation of the Kyrgyz Republic, as well as submission of incomplete information or unreliable documents;
 - 2) if the parent foreign bank does not comply with the criteria of impeccable business reputation and financial stability established by the National Bank;
 - 3) if a foreign head bank does not comply with the requirements of the present Law, which are presented to the bank's founders;
 - 4) if the funds allocated by the head bank do not meet the established requirements;
 - 5) if the persons applying for positions in the branch (officials) do not meet the requirements established by the banking legislation;
 - 6) if the premises and equipment of the branch, internal control system, technical, information systems and security system do not meet the established requirements;
 - 7) if the supervisory regime in the country where the foreign bank is registered does not provide effective banking supervision, including on a consolidated basis, and there is no proper cooperation with it, including the exchange of information.
7. A branch of a foreign bank shall immediately notify the National Bank of all changes related to the terms of the license.

8. The license can be withdrawn from a branch of a foreign bank on the grounds and in the manner provided for by the present Law for the banks of the Kyrgyz Republic.

9. The National Bank shall publish information on the issue of a license, the grounds for refusing to issue and withdrawal of a license from a branch of a foreign bank in mass media and on the website of the National Bank.

Article 92. Representative Office of the Bank

1. The representative office is a separate subdivision of the bank that is not a legal entity representing the interests of the bank, and perform transactions or other permitted actions on its behalf, with the exception of banking operations in accordance with the present Law.

2. The representative office shall be vested with the property of the bank, shall have a single balance with the bank, as well as a name completely coinciding with the name of the bank with the addition of the word "representative office". The bank shall be fully responsible for the actions of its representative office.

3. The bank shall be obliged to notify the National Bank about registration of the bank's representative office within five working days. The National Bank shall maintain a register of bank representative offices.

4. The location and list of activities of the bank's representative office shall be changed with the consent of the National Bank.

5. The representative office of the bank abroad shall be opened with the permission of the National Bank. The National Bank shall establish the requirements for the opening of the bank's representative office abroad.

6. The National Bank shall have the right to withdraw permission to open a representative office of the bank abroad if the activities of the representative office are contrary to the banking legislation of the Kyrgyz Republic.

Article 93. Representative Office of a Foreign Bank

1. Representative office of a foreign bank shall be opened in the territory of the Kyrgyz Republic with the permission of the National Bank. The representative office of a foreign bank shall have a name that completely coincides with the name of a foreign bank with the addition of the word "representative office".

2. Representative office of a foreign bank shall be prohibited from conducting banking operations. The National Bank shall establish the order of opening and requirements for the activities of representative offices of foreign banks.

3. The National Bank shall maintain a register of representative offices of foreign banks. The National Bank shall publish information on the opening of a representative office of a foreign bank on the territory of the Kyrgyz Republic in mass media and on the website of the National Bank.

4. The name, location and list of activities of a representative office of a foreign bank shall be changed with the consent of the National Bank.

5. The National Bank shall have the right to withdraw permission to open a representative office of a foreign bank in the event that the activities of the representative office are contrary to the banking legislation of the Kyrgyz Republic.

Article 94. Unions, Associations and Corporations of Banks

1. Banks can unite and create unions, associations and other corporations to coordinate their activities, represent common interests, implement joint projects and solve other common tasks. The activities of such organizations should be carried out in accordance with their constituent documents, and shall not contradict the banking legislation of the Kyrgyz Republic.

2. Establishment and state registration of unions, associations and other corporations of banks shall be carried out in accordance with the procedure established by the legislation of the Kyrgyz Republic.

3. Unions, associations and other corporations of banks shall notify the National Bank of their establishment within five working days from the date of the state registration.

4. Banks shall be prohibited from using their unions, associations and other corporations to reach agreements aimed at limiting competition in banking and monopolizing the banking services market in setting interest rates, tariffs and commissions, as well as any other conditions that cause or may cause damage rights and legitimate interests of clients.

Article 95. Bank Reorganization

1. Bank reorganization may be carried out in accordance with the legislation of the Kyrgyz Republic.

2. Bank reorganization shall be carried out exclusively with the consent of the National Bank.

3. The National Bank shall establish the procedure for banks' reorganization.

Chapter 17. Bank Management Organization

Article 96. Management Bodies of the Bank

1. The management bodies of the bank are:

- 1) General Meeting of Shareholders of the bank;
- 2) Board of Directors of the bank;
- 3) The management of the bank.

2. The legal status and competence of the management bodies of the bank shall be regulated by the civil legislation of the Kyrgyz Republic, unless otherwise provided by the present Law.

3. A bank operating in accordance with the Islamic principles of banking industry and financing shall have a Sharia Board.

The Sharia Board is the body of the bank responsible for compliance of the policies and standard contracts of the bank with Shariah standards. The Sharia Board may include individuals who meet the requirements set by the National Bank.

Article 97. General Meeting of Shareholders of the Bank

1. The General Meeting of Shareholders of the bank is the supreme management body of the bank.

2. Shareholders of the bank shall be required to exercise their rights and duties in good faith and reasonably for the safe, healthy and reliable operation of the bank.

3. The General Meeting of Shareholders of the bank shall be convened and held in accordance with the procedure provided for by the legislation of the Kyrgyz Republic taking into account the specifics established by the present Law.

4. The General Meeting of Shareholders of the bank shall be recognized as legally qualified if it involves shareholders or their legal representatives possessing of more than sixty percent of the votes of outstanding voting shares of the bank in accordance with the charter.

In the absence of a quorum, the Management Board of the bank shall convene a repeated General Meeting of Shareholders of the bank within a month that is considered eligible if shareholders or their legal representatives who have more than forty percent of the votes of the outstanding voting shares of the bank participate in it.

5. The provisions of Articles 86 and 146 of the present Law shall be taken into account when calculating the quorum and voting.

6. An extraordinary General Meeting of Shareholders is subject to mandatory convocation in the event that:

- 1) the bank's capital does not meet the requirements of the National Bank;
- 2) there were vacancies in the Board of Directors, in which there is no quorum;
- 3) the external auditor terminated the agreement or is unable to continue the audit for other reasons.

7. The National Bank shall have the right to demand convocation of an extraordinary General Meeting of Shareholders with the agenda defined by it and within the time specified by them, but not earlier than the expiration of a ten-day period from the date of presentation of such a requirement by the National Bank.

8. The National Bank shall have the right to request any information on the upcoming General Meeting of Shareholders.

9. The powers of the General Meeting of Shareholders of the bank may be limited in connection with introduction of the regime of the Provisional Administration in the bank.

Article 98. Register of Shareholders of the Bank

1. The register of shareholders of the bank shall be maintained by a professional participant of the securities market - an independent registrar - in accordance with the legislation of the Kyrgyz Republic.

2. A bank shareholder shall be required to inform an independent registrar of all changes related to the registration of the transfer of share ownership.

3. An independent registrar shall notify the bank of any changes in the register of shareholders in the manner and terms established by the agreement between them.

4. At the request of the National Bank and the bank, the independent registrar shall provide them with any information from the register of the bank's shareholders.

5. In accordance with the procedure established by the National Bank, the Bank shall be obliged to form legal acts of shareholders.

6. Shareholders of the bank shall be obliged to provide the bank with information for inclusion in the legal case according to the list and in the volume established by the National Bank.

In case of refusal of information requested by the bank, the National Bank shall be entitled to demand from the shareholder the sale of his shares to the persons not related to him for a period determined by the National Bank. Otherwise, the National Bank shall apply to the court for a compulsory alienation of shares of the said person.

7. The Bank shall be obliged to notify the National Bank immediately, not later than one business day, if it became aware of the fact of significant acquisition, change or alienation of significant participation in the bank's capital.

Article 99. Board of Directors of the Bank

1. The Board of Directors of the Bank is the management body of the bank, which shall exercise general management of the bank within the period between the General Meeting of Shareholders.

The Board of Directors shall act in the best interests of the bank, observe the principle of equal relation to all shareholders, and shall be obliged to submit a report on its activities to shareholders at each annual General Meeting of Shareholders of the bank.

2. The exclusive powers of the Board of Directors of the bank, in addition to the powers provided for by the legislation of the Kyrgyz Republic, shall include the following issues:

- 1) approval of the organizational structure of the bank;
- 2) organization of an adequate system of internal control of the bank;
- 3) conducting inspections of the activities of executive bodies and officials of the bank, taking measures based on the results of these inspections;
- 4) reviewing the results and taking action on the results of inspections of the National Bank, as well as audits of internal and external audit;
- 5) approval of heads of internal audit services, risk management and compliance control, determination of payment terms for their labor;
- 6) other powers stipulated by the charter of the bank not contradicting the banking legislation of the Kyrgyz Republic.

3. The Board of Directors of the bank shall be responsible for establishing effective assessment, monitoring and control systems in the bank in order to maintain an adequate level of capital in accordance with the risks in the bank's activities.

4. The Board of Directors of the bank shall consist of at least five members in an odd number.

At least one member of the Board of Directors of the bank shall be a citizen of the Kyrgyz Republic, who shall speak the state and/or official language.

At least one third of the Board of Directors of the bank should be composed of independent members of the Board of Directors.

5. Meetings of the Board of Directors of the bank shall be held not less than once a quarter. Meetings of the Board of Directors shall be considered eligible (quorum) if at least 2/3 of its members take part in the event if the charter of the bank does not provide for a higher quorum. Decisions of the Board of Directors shall be made by a simple majority of votes. When voting, each member of the Board of Directors shall have one vote. In the event that a member of the Board of Directors has a conflict of interests, he is not entitled to participate in the discussion and voting.

6. The procedure and terms for notifying members of the Board of Directors of meetings, the procedure for holding meetings and making decisions by the Board of Directors of the bank shall be determined by the rules of the Board of Directors. The charter of the bank may provide for the possibility of taking a decision by the Board of Directors through a written interview, holding meetings of the Board of Directors using communications facilities. The corporate secretary of the bank shall keep a record at each meeting of the Board of Directors. The bank's presiding and corporate secretary shall sign the minutes of the meeting of the Board of Directors.

7. Members of the Board of Directors cannot independently take binding decisions for the bank that create the bank's liabilities to third parties outside the meetings of the Board of Directors. Members of the Board of Directors of the bank cannot be limited in the opportunity to familiarize themselves with any documents of the bank and receive any information they need about the bank's activities from the bank's employees.

8. If a member of the Board of Directors of the bank was absent at a meeting of the Board of Directors, he is required to familiarize himself with the minutes and decisions of the Board of Directors against the signature. Each member of the Board of Directors of the bank shall bear personal responsibility for the decisions made at the meetings of the Board of Directors of the bank. In the event that the decisions taken by the Board of Directors carry a threat to the bank's financial stability and the rights and legitimate interests of depositors and other creditors in the opinion of a member of the Board of Directors of a bank, it shall inform the National Bank about it.

9. if the bank has signs of a threat of bankruptcy, the Board of Directors of the bank shall be obliged to:

- 1) take urgent necessary measures to prevent bankruptcy;
- 2) urgently convene an extraordinary General Meeting of Shareholders;

3) immediately notify the National Bank of the signs of a threat of bankruptcy in the bank and the results of consideration of the issue on convocation of an extraordinary General Meeting of Shareholders of the bank, as well as on urgent and planned measures required to prevent bankruptcy of the bank by the Board of Directors.

Article 100. Election and Dismissal of the Members of the Board of Directors

1. Members of the Board of Directors of the bank shall be elected at the General Meeting of Shareholders of the bank for a period of three years. The charter of the bank may limit the number of terms for which the same person is elected.

2. Only individuals with full legal capacity and corresponding to the requirements of impeccable business reputation, professional suitability and work experience established by the National Bank can be elected members of the Board of Directors of the bank. Labor contracts or other similar agreements and contracts with members of the Board of Directors of the bank shall not be concluded, and the labor legislation of the Kyrgyz Republic shall not apply to them.

3. Members of the Board of Directors of a bank cannot be persons:

- 1) who are members of the Management Board of the bank or hold other positions in the bank;
- 2) being an official or a significant shareholder of another bank or non-banking financial and credit organization supervised by the National Bank;
- 3) do not meet the requirements established by the National Bank, as well as the persons who are prohibited from holding such positions by law or court decision.

4. If its membership is reduced to an amount less than the established quorum as a result of the early termination of the powers of the members of the Board of Directors, the Management Board of the bank shall be required to take a decision to convene an extraordinary General Meeting of Shareholders of the bank for the election of a new composition of the Board of Directors within five days from the date of termination of the powers of the members of the Board of Directors.

5. If a member of the Board of Directors of a bank shall violate the norms of the present Law by decision of the National Bank, a member of the Board of Directors of the bank may be suspended from performing his duties without payment of remuneration for the period of suspension.

6. A member of the Board of Directors of a bank shall be subject to exemption from the position held by the decision of the National Bank in the event of:

- 1) loss of impeccable business reputation;
- 2) revealing the fact of concealing a conflict of interest or interest in concluding bank transactions;
- 3) if the person has concealed information that indicates his non-compliance with the qualification requirements, requirements for independence and impeccable business reputation;
- 4) when the actions or inaction of a member of the Board of Directors are a threat to the bank's financial stability according to the National Bank.

7. The decision of the National Bank to suspend or release a member of the Board of Directors of the bank shall enter into force immediately from the date of the decision.

Article 101. Individual Members of the Board of Directors

An individual member of the Board of Directors is a person who at the time of election:

- 1) is neither an employee of this bank nor an employee of any of the legal entities related to the bank during the last five years;
- 2) is neither a member of the Management Board of this bank nor a member of the Management Board of any of the legal entities associated with the bank during the last five years;
- 3) did not receive any substantial additional remuneration, compensation, benefits or donations directly or indirectly, except for reimbursement of expenses related to participation in the meetings of the Board of Directors from this bank or persons connected with the bank, or on their behalf within the last five years;
- 4) does not have significant business ties (including the provision and receipt of loans) with this bank or any of the related parties, either directly or as a partner, during the last five years;

- 5) was not a partner or employee of the current or former external auditor of the bank or any of the persons related to the bank during the last five years;
- 6) does not exercise significant participation or control over this bank and in no way represents a shareholder who exercises significant participation or control over the bank;
- 7) has not been a member of the Board of Directors of this bank for the past five years;
- 8) does not consist in close kindred relationships with the persons mentioned in paragraphs 1-7 of this part.

Article 102. Committees of the Board of Directors

1. The Board of Directors of the bank may establish committees and other auxiliary expert-consultative bodies in order to perform its functions. Committees of the Board of Directors shall be established for preliminary consideration of the issues within the competence of the Board of Directors and development of recommendations for them. Committees are not the management bodies of the bank; they cannot replace the Board of Directors and perform their functions.

2. The Board of Directors shall establish the following committees without fail:

- 1) Risk Management Committee;
- 2) Audit Committee;
- 3) Nomination and Remuneration Committee.

A New Products Committee, Compliance Control Committee and other committees may also be established in the bank.

3. The National Bank shall establish the requirements for establishment of committees, their competence and responsibility.

Article 103. Corporate Secretary of the Bank

1. The position of the bank's corporate secretary shall be established in the bank. The corporate secretary is an official of the bank, elected by the Board of Directors of the bank. The combination of an independent position of the corporate secretary of the bank with performance of other duties in the bank shall be allowed only with the consent of the Board of Directors of the bank.

2. The Corporate Secretary shall keep the minutes of the General Meeting of Shareholders and the Board of Directors, exercise control over implementation of their decisions, facilitate proper corporate interaction between the management bodies of the bank and exercise other powers determined by the National Bank.

Article 104. Bank Management

1. The bank management is the executive body of the bank. The competence of the Management Board of the Bank shall include all issues related to the management of the current activities of the bank, except for the matters related to exclusive competence of the General Meeting of Shareholders and the Board of Directors of the bank. The Board of the bank shall be obliged to ensure implementation of lawful decisions taken by the General Meeting of Shareholders and the Board of Directors of the bank.

2. The competence, procedure of operation and responsibility of the Board of the Bank shall be established by the banking legislation of the Kyrgyz Republic and the charter of the bank.

3. The bank management shall consist of not less than five people. Members of the Management Board shall be appointed for the period provided for by the charter of the bank, but not more than five years. Members of the Management Board may be re-appointed.

4. When a bank is established, the founders of the bank shall appoint the members of the Management Board initially, and subsequently the Board of Directors of the bank shall appoint them to the position.

5. A member of the Bank Management may be only an individual who has full legal capacity and meets the requirements set by the National Bank for impeccable business reputation, professional suitability and work experience.

6. The Bank Management shall be headed by the Chairman of the Board, appointed by the Board of Directors of the Bank. Vice-Chairmen of the Management Board are the members of the Management Board by position. Members of the Bank Management shall be appointed by the Board of Directors of the bank upon presentation by the Chairman of the Bank Management.

7. A member of the Bank Management cannot be:

1) a person who is a member of the Board of Directors of the bank, or a person who is an official of another bank or non-banking financial and credit organization supervised by the National Bank;

2) a shareholder who has significant participation in the capital of the bank or a person who is a significant shareholder of another bank or non-banking financial and credit organization supervised by the National Bank;

3) any other person who does not meet the requirements established by the National Bank, as well as a person who is prohibited from holding such positions by the legislation or by a court decision.

8. If a member of the Bank Management shall violate the norms of the present Law by decision of the National Bank, a member of the Bank Management may be suspended from performing his duties without payment for the period of suspension.

9. A member of the Bank Management shall be subject to exemption from the position held by the decision of the National Bank in the event of:

1) loss of impeccable business reputation;

2) revealing the fact of concealing a conflict of interest or interest in concluding bank transactions;

3) if the person has concealed information that indicates his non-compliance with the qualification requirements, requirements for independence and impeccable business reputation;

4) when the actions or inaction of a member of the Management Board are a threat to the bank's financial stability according to the assessment of the National Bank.

10. The decision of the National Bank to suspend or release a member of the Management Board from the position shall take effect from the date of such decision.

11. Meetings of the Bank Management shall be held as required, but at least once a month. Meetings of the Bank Management shall be considered eligible (quorum) if at least 2/3 of its members participate in the event if the charter of the bank does not provide for a higher quorum. A simple majority of votes shall take decisions of the Bank Management. Each member of the Management Board has one vote. In the event that a member of the Bank Management has a conflict of interests, he is not entitled to participate in the discussion and voting.

12. The Secretary of the Bank Management shall keep the minutes of the meeting of the Bank Management. The chairman, members of the Bank Management who attended the meeting, and the secretary of the Bank Management should sign the minutes of the meeting of the Bank Management. If a member of the Bank Management was absent at the meeting of the Bank Management, he is required to familiarize himself with the minutes of the meeting of the Bank Management later against the signature.

13. The Chairman and members of the Bank Management shall bear personal responsibility for the decisions taken at the meetings of the Bank Management. In the event that the decisions taken at the bank shall incur a threat to its financial stability, rights and legitimate interests of creditors in the opinion of a member of the Management Board, a member of the Bank Management shall be required to inform the Board of Directors of the bank about this. If the Board of Directors does not respond to the information of a member of the Bank Management, a member of the Bank Management shall have the right to notify the National Bank to this effect.

Article 105. Internal Control System

1. Internal control is an ongoing process aimed at achieving the following objectives by the bank:

- 1) efficiency and effectiveness of activities, efficiency of asset and liability management, ensuring the safety of assets, effective risk management;
- 2) ensuring reliability, completeness, objectivity and timeliness of compilation and presentation of financial, regulatory and other reporting for internal and external users;
- 3) compliance with the legislation and internal regulatory documents of the bank.

2. The internal control system of the bank should include the following components:

1) the relevant organizational structure of the bank, providing for the competence, division of powers and responsibility of management bodies, structural divisions and officials of the bank, a system of rewards in the bank;

2) relevant internal information system and a system of informing the management bodies that allow to take decisions in due time, ensuring information security;

3) constant monitoring of risks, risk management system and risk assessment;

4) relevant internal control procedures;

5) periodic self-assessment of the internal control system in order to identify its shortcomings and improve.

3. The Board of Directors of the bank shall ensure the proper organization and functioning of the internal control system of the bank.

4. The National Bank shall establish the requirements for the banks on organization and functioning of the internal control system.

Article 106. Internal Audit, Risk-Management and Compliance-Control

1. The internal audit, risk management and compliance-control services supervised by the Board of Directors shall function in the bank on a regular basis in a mandatory manner.

2. The National Bank shall establish the requirements for the activities of the internal audit, risk management and compliance control services and their competence.

Article 107. Officials of the Bank

1. The National Bank shall determine the list of bank officials subject to mandatory approval.

2. Candidatures of bank officials shall meet the established qualification requirements and shall have sufficient experience and an impeccable business reputation. The National Bank shall establish the requirements for the candidacies of officials, the procedure for their approval.

Article 108. Impeccable Business Reputation

1. Significant participants of the bank and their affiliated persons, bank officials, as well as persons related to the bank, shall have an impeccable business reputation in accordance with the present Law.

2. A person (individual or legal entity) shall be considered the one not having or having lost impeccable business reputation in the following cases:

1) if a person has an unexpunged and outstanding conviction for committing a crime in the sphere of economy;

2) if a person is subjected to compulsory liquidation, bankruptcy or, if recognized by the court, that the acts or inaction of the person as a significant participant or member of the management body of the legal entity resulted in compulsory liquidation, including bankruptcy;

- 3) if a person is not entitled to carry out activities in the banking, financial, audit, insurance and investment spheres by a court decision or is not entitled to carry out activities in the banking sector upon the decision of the National Bank;
- 4) if a person has lost an impeccable business reputation in other areas of activity by a court decision;
- 5) if the bank's official is dismissed from the position held by the decision of the Board or the Supervisory Committee of the National Bank or a foreign competent body of banking supervision in the manner of applying enforcement actions to the bank;
- 6) if a person intentionally violated the requirements of the present Law on acquisition of a threshold participation in the capital of the bank;
- 7) if a person has unsatisfied judgement on payment of his financial obligations;
- 8) if a person intentionally provided the National Bank with the untrue information and documents.

3. Bank officials who have lost impeccable business reputation in connection with dismissal as a result of applying the enforcement actions to them cannot re-apply for positions subject to mandatory agreement with the National Bank during the limitation period: five or more years from the date of entry into force of the decision of the National Bank. The specific terms of the restriction, depending on the grounds for the loss of an impeccable business reputation, shall be established by the regulatory legal acts of the National Bank.

4. By the persons referred to in this Article shall be meant any individuals or legal entities of the Kyrgyz Republic and foreign countries. Legislation, courts and competent authorities shall be understood as to mean legislation, judicial and competent bodies of the Kyrgyz Republic and foreign states.

Article 109. Fiduciary Duties of the Bank Officials

1. The bank officials shall be obliged to act in good faith and in the best interests of the bank, which implies compliance with the following requirements:
 - 1) activity within the scope of the powers in compliance with the requirements of the banking legislation of the Kyrgyz Republic and the charter of the bank;
 - 2) use of the granted powers for the purposes they are provided for;
 - 3) making informed decisions based on their own qualifications and experience after taking every possible effort to obtain accessible information within a reasonable time;
 - 4) Compliance with the requirements to prevent conflicts of interest, timely notification of the bank's management bodies about a conflict of interest;
 - 5) observance of the principle of equality in relation to shareholders, not preferring the interests of some shareholders to the interests of others;
 - 6) notification of the management bodies of the bank about all known incidents threatening the financial stability of the bank.
2. The National Bank may establish other requirements for fiduciary duties of the bank officials.

Article 110. Avoidance of Conflict of Interests

1. The Board of Directors of the bank shall take all necessary measures to identification and avoidance of conflicts of interest at all levels of the bank's activities.
2. The bank shall have the procedures of informing the bank's management of potential threats to the bank's activities related to the conflict of interest.
3. The official of the bank shall provide the bank with a list of close relatives prior to his appointment (election). The official or employee of the bank, who became aware of a conflict of interest between him and the bank, shall be obliged to notify the Management and/or the Board of Directors of the bank to this extent immediately.
4. The bank shall maintain a database of conflicts of interest.

5. Untimely disclosure of the conflict of interests shall entail liability in accordance with the banking legislation of the Kyrgyz Republic.

Chapter 18. Banking Activities

Article 111. Banking Activities and Banking Operations

1. The Bank shall carry out the following banking operations with their direct indication in the license in national and/or foreign currency:

- 1) attraction of deposits on its own behalf on contractual terms;
 - 2) placement of own and/or attracted funds on its own behalf on contractual terms;
 - 3) opening and maintaining accounts;
 - 4) making settlements and payments on behalf of the clients and correspondent banks and their cash services;
 - 5) issue, purchase, payment, acceptance, storage and confirmation of payment documents (checks, letters of credit, promissory notes and other documents), including credit and payment cards;
 - 6) acquisition of the right of demand from third parties to fulfill obligations in cash (factoring);
 - 7) payment of a debt obligation by purchasing simple and transfer bills (forfeiting);
 - 8) issue and placement of debt securities;
 - 9) issue of bank guarantees;
 - 10) effecting money transfers of the clients, including without opening an account;
 - 11) opening and maintaining correspondent accounts for non-resident banks of the Kyrgyz Republic;
 - 12) operations on foreign currency accounts for the clients and on acquisition (exchange) of foreign currency on behalf of the client;
 - 13) purchase and sale (exchange) of foreign currency on its own behalf;
 - 14) operations with precious metals (only bank silver, gold, platinum and coins from these metals of high samples);
 - 15) derivative financial instruments (derivatives) transactions;
 - 16) issue of electronic money;
 - 17) receiving and making payments and settlements for the goods and services that are not the result of their activities in favor of third parties through payment systems based on information technology and electronic means and methods of making payments;
 - 18) receiving, processing and issuing financial information (processing, clearing) on payments and settlements of third parties to participants in the payment system of this processing, clearing center.
2. Banks shall have the right to carry out the following activities and transactions:
- 1) issue of a banker's guarantee and other obligations for third parties;
 - 2) issue, purchase, sale, securities servicing, as well as depository services;

- 3) trust management of property (excluding cash) under a contract with an individual or a legal entity;
- 4) leasing of safes to individuals and legal entities for storing valuables;
- 5) sale of collateral in repayment of obligations to the bank;
- 6) investment services;
- 7) consulting services related to banking activities;
- 8) financial leasing transactions;
- 9) services as a financial agent.

3. Banks shall conduct other activities in accordance with the legislation of the Kyrgyz Republic, if it does not contradict the banking legislation of the Kyrgyz Republic. The Bank can carry out only such activities, which are necessary to ensure its core business or related to banking activities.

4. The Bank shall be entitled to engage in other types of licensed activities with the consent of the National Bank.

5. The Bank shall have the right to attract another person to provide the services necessary for the bank (outsourcing) based on the agreement. The National Bank shall determine the requirements for outsourcing.

6. The National Bank shall have the right to establish a list and procedure for conducting operations, transactions and standard contracts in accordance with the Islamic principles of banking industry and financing. Placement of funds according to the Islamic principles of banking industry and financing shall be carried out taking into account the regulatory requirements of the National Bank.

7. Separate banking operations, including in accordance with the Islamic principles of banking industry and financing, may be carried out by non-banking financial and credit organizations and other legal entities upon availability of a corresponding license/certificate issued by the National Bank.

8. Banks shall be prohibited from organizing or participating in various draws, lotteries and other similar "gaming" events, as well as their advertising or other publications. Banks can carry out marketing activities in accordance with the requirements of the National Bank.

9. The National Bank shall establish the requirements, conditions and peculiarities of carrying out banking operations, other activities and transactions.

Article 112. Lending

1. The bank shall carry out lending in compliance with the principles of responsible lending and the requirements of the banking legislation of the Kyrgyz Republic.

2. The bank shall have a credit policy approved by the Board of Directors of the bank.

3. Effective credit risk management system should operate in the bank.

4. The Board of Directors shall periodically review, not less than once a year, adequacy of the bank's credit policy, limits system, instruments and procedures for managing credit risks, internal control and internal audit of credit risk management.

5. The Bank shall manage credit risk in all of its aspects in all banking products, operations and in the activities of the bank.

6. The bank shall establish the procedure for issuing loans with account of the requirements of the National Bank for lending and credit risk management.

7. Placement of funds in accordance with the Islamic principles of banking industry and financing shall be carried out in accordance with the banking legislation of the Kyrgyz Republic with account of the specifics and peculiarities of the Islamic principles of banking industry and financing.

Article 113. Bank Investments

1. The Bank can make investments in compliance with the following requirements and restrictions:

- 1) participation of the bank in a non-banking organization should be carried out as a long-term investment;
- 2) amount of any investment in each non-banking organization, including any financial investments and loans, should be less than fifteen percent of the bank's own (regulatory) capital. The total amount of such investments cannot exceed sixty percent of the bank's own (regulatory) capital;
- 3) the size of investment in real estate should not exceed the established limits;
- 4) related persons shall be treated as one person.

2. The National Bank shall establish the requirements for the investment policy of the bank carrying out operations and transactions in accordance with the Islamic principles of banking industry and financing.

3. The National Bank shall determine other requirements and restrictions to banks on implementation of investments and their impact on the capital of the bank.

Article 114. Real Property of the Bank

1. The Bank shall have the right to acquire, lease, rent and dispose real property, including land in accordance with the requirements established by the National Bank.

2. The National Bank shall establish the requirements for accounting, fixing the retention period, assessment requirements and other issues related to real estate.

Article 115. Parties Affiliated with Bank and Affiliated Parties Transactions

1. Parties affiliated with the bank are:

- 1) bank officials and their close relatives;
- 2) parties who directly or indirectly have a significant interest in the bank capital and/or exercise control;
- 3) legal entities in which the bank and its officials have significant participation and/or exercise control;
- 4) members of the supervisory and executive body of legal entities specified in the paragraphs 2 and 3 of this part, and their close relatives;
- 5) individuals - close relatives of the parties specified in the clause 2 of this part;
- 6) legal entities in which the parties referred to in the paragraph 2 of this part have significant participation and/or exercise control.

2. Transactions of the bank with the affiliated persons in the amount exceeding the value established by the National Bank are the affiliated party transactions.

3. The decision to enter into an affiliated party transaction, the monetary value of which does not exceed the value established by the National Bank, shall be taken only by uninterested members of the Board of Directors of the bank. If the Board of Directors cannot take such a decision because of the absence of a quorum, the issue regarding conclusion of such transaction shall be submitted to the General Meeting of Shareholders of the bank.

4. The decision to enter into an affiliated party transaction, the monetary value of which exceeds the value set by the National Bank, then such decision can be taken only by the General Meeting of Shareholders of the bank.

5. The person of the bank, who is the person interested in the transaction, cannot take part in the discussion and voting on this issue, or influence on the decision-making in any other way.

6. A person who became aware that he is a person interested in a transaction shall immediately disclose the information on the degree of his interest in the transaction and/or the degree of relationship with the other party to the transaction to the bank in writing.

7. The bank shall maintain a register of the parties affiliated with the bank. The National Bank shall determine the requirement to maintain the register.

Article 116. Requirements and Restrictions to Operations and Transactions between the Bank and Affiliated Parties

1. The Bank shall not be entitled to lend affiliated parties:

- 1) if any current losses on the last reporting date;
- 2) if the size of all loans and their substitutes issued by the bank to one affiliated party shall exceed the value established by the National Bank;
- 3) if the total amount of all loans and their substitutes provided to all affiliated parties shall exceed the value established by the National Bank.

2. The Bank shall not be entitled to conduct any operations and transactions with affiliated parties if the conditions for such operations and transactions are more favorable than similar operations and transactions concluded on public market conditions, unless otherwise provided by the National Bank.

3. Transactions and operations of the bank with affiliated parties in the amount exceeding the value established by the National Bank, except for the concluded public agreements, shall be approved by the Board of Directors of the bank.

4. Subsidiary companies of the bank may participate in the operations and transactions with affiliated parties, if such operations and transactions comply with the requirements of the National Bank.

5. The Bank shall not be entitled to enter into a transaction with any party to enable it to:

- 1) pay or otherwise fulfill the obligation to the affiliated party;
- 2) acquire any property from an affiliated party;
- 3) to purchase securities issued by an affiliated party.

6. The Bank shall be prohibited from carrying out any operations and transactions with affiliated parties if, as a result of such operations and transactions, the financial condition of the bank worsens and causes financial difficulties and creates a threat to the interests of depositors and other creditors. The National Bank shall determine the signs of the bank's financial difficulties.

7. If the shareholders and officials of the bank make a decision or vote for a decision that contradicts the present Law and the bank that incurs a loss, they shall be liable for such losses in accordance with the legislation of the Kyrgyz Republic.

8. Any transactions between the bank and affiliated parties concluded in violation of the requirements of the present Law are void.

9. The bank shall be obliged to provide the National Bank with the information on all bank transactions concluded with the persons connected with the bank in the order established by the National Bank.

10. The National Bank shall determine features of operations and transactions with the affiliated parties.

Article 117. Prevention of Threats in the Banking Activities and Its Involvement in Unhealthy and Unsafe Banking Practice

1. Banks shall be obliged to prevent threats to the interests of depositors and creditors of the bank, stability, security and integrity of the financial and banking system of the Kyrgyz Republic, as well as involving the bank in unhealthy and unsafe banking practice in carrying out its activities. The National Bank shall establish the signs of unhealthy and unsafe banking practice.

2. The enforcement actions provided for by the present Law may be applied to banks and their officials involved in unhealthy and unsafe banking practices, and creating threats to the interests of depositors and creditors of the bank, stability, security and integrity of the financial and banking system of the Kyrgyz Republic.

Article 118. Prohibition of the Advertisement Contradicting the Reality

1. Banks shall be prohibited from advertising contradicting to the actual state of affairs in the bank. At the request of the National Bank, the bank shall be obliged to change, adjust or withdraw advertising and other similar information within a specified time.

2. In the event of non-compliance with the requirements of the National Bank in accordance with this article, the National Bank shall be entitled to publish information on the discrepancy between the advertising the real state of the bank at the bank's expense, and apply the enforcement actions provided for by the present Law.

3. Banks shall be prohibited from financing, including gratuitously, political activities, including political parties and candidates for elected offices, to advertise politically, and otherwise participate in political activities.

Article 119. Obligations of the banks on administration of justice in the Kyrgyz Republic in the field of combating the financing of terrorism and anti-money laundering.

Banks are obliged to comply with the legislation of the Kyrgyz Republic in the field of combating the financing of terrorism and anti-money laundering.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Article 120. Deposit Mandatory Protection System

1. Banks shall participate in the deposit mandatory protection system.

2. The procedure for functioning of the deposit mandatory protection system, formation and use of the Deposit Protection Fund, payment of compensation on deposits in the event of warranty claims, as well as the relationship between the authorized deposit protection authority, banks, the National Bank, government agencies and other relations arising in this field, shall be regulated by the law on the bank deposit protection.

3. The Bank may choose additional forms of deposit protection used in the international banking practice.

Article 121. Seizure, levy of execution and forfeit

1. The funds and other valuables of legal entities and individuals that are placed in bank accounts or in custody may be seized solely by the court.

In the event of seizure of a bank account or valuables in a bank in custody, any expense transactions on the account or the transfer of valuables shall cease immediately. In the event of seizure of a certain amount of money in the bank account, any expenditure transactions within the minimum balance in the amount of this amount shall cease.

2. Collection of monetary funds and other valuables of individuals and legal entities that are placed in bank accounts or in the bank's custody may be carried out by the court based on executive documents, as well as by the tax authorities by setting up a tax payment requirement in accordance with tax legislation.

3. Search, inspection, seizure and other investigative actions in respect of money, valuables and documents held by the bank may be carried out by the investigative authorities for prosecuted criminal cases solely on the basis of a judicial act.

4. Confiscation of monetary funds and other valuables can be made only based on a court verdict (ruling) that has entered into legal force.

5. The court or other authorized state bodies, officials shall be required to request the National Bank of the consequences of such decision for the creditors and clients of the bank, and the financial system of the Kyrgyz Republic prior to making decisions on banks to restrict their activities, including disposal of their money or property.

Chapter 19. Accounting, Reporting and Audit

Article 122. General Provisions

1. The Bank shall be required to keep accounting and reporting in accordance with the legislation of the Kyrgyz Republic, international financial reporting standards and the bank's accounting policy.

The Bank operating in accordance with the Islamic principles of banking industry and financing shall maintain its accounting and prepare financial statements in accordance with the accounting standards for Islamic financial institutions adopted in accordance with the legislation of the Kyrgyz Republic.

2. The accounting policy of the bank shall include general principles of accounting, methods and rules for organization of accounting. If the financial group is supervised, the bank shall form a general (consolidated) accounting policy of the group with account of the requirements of the National Bank.

3. The account in the bank should be organized in such a way that:

1) the following could be reliably formed on its basis:

a) financial statements in accordance with international standards reflecting the real financial condition of the bank and the results of its activities;

b) regulatory reporting in accordance with the requirements of the National Bank;

c) other types of reporting in accordance with the legislation of the Kyrgyz Republic;

2) manage the bank's assets and emerging risks safely and reliably;

3) shareholders and the Board of Directors would have the opportunity to monitor the financial condition of the bank and the work of officials.

Article 123. Accounting and Reporting in the Bank

1. The fiscal year of the bank shall be established from January 1 to December 31 inclusive. If the registration of the bank is made after January 1, the first fiscal year shall begins from the date of state registration of the bank and shall end on December 31 of the same year.

2. Banks shall maintain accounting and prepare financial statements in accordance with the international financial reporting standards and requirements of the National Bank.

3. The list, forms and deadlines for provision of banking, accounting and other reporting, including reporting on a consolidated basis, as well as liability for their violation shall be established by the legislation of the Kyrgyz Republic.

4. Banks shall be obliged to provide the National Bank with any information on the flow of funds, including those located outside the Kyrgyz Republic (correspondent accounts) upon its written request.

5. The Chairman of the Bank Management shall be responsible for the accuracy, completeness and storage of financial statements, accounting documents and other information in accordance with the banking legislation of the Kyrgyz Republic. The chief accountant of the bank shall be responsible for the correct reflection of accounting transactions and events in the financial statements, proper storage of the accounting and financial reporting registers.

Article 124. Accounting and Storage of Documents

1. The Bank shall ensure strict accounting and storage of documents used in accounting and reporting.
2. The National Bank shall establish the list of documents subject to strict accounting and storage, as well as the procedure and terms of their storage.

Article 125. Audit of Banks

1. The activity of the bank shall be subject to annual external audit according to the international auditing standards.
2. The Board of Directors of the bank shall select audit organizations and candidatures of auditors to be submitted for consideration to the shareholders general meeting. The bank shall notify the National Bank of the auditing organization and nominees of auditors not later than ninety business days before the day of the General Meeting of Shareholders. The National Bank shall have the right to reject the audit organization and the auditor nominees as the ones failing to meet the established requirements for auditing banks and notify the bank thereof no later than ten working days from the date of receipt of the notification.
3. The external auditor of the bank may be only an audit organization that has an appropriate license to conduct audit activities of banks in the territory of the Kyrgyz Republic and meets the requirements for auditing banks set by the National Bank.
4. The external auditor should be independent of the bank, which means the ability to act independently, regardless of anyone's influence on the results of the audit report, conclusions, and in the circumstances that exclude any extraneous impact on the expression of the external auditor's opinion. The agreement for conducting an external audit should reflect the statement of the audit firm that the audit organization itself, or any of its auditors, or any other employee does not have any interest in the bank, are independent and are not bound by any relationship with the bank and its officials.
5. The audit organization and the auditor are not considered independent of the bank if they are or have been for the last two years:
 - 1) persons who directly or indirectly have significant participation in the capital of the bank or its affiliates;
 - 2) affiliated parties of the bank or its affiliates;
 - 3) parties who provide other services to the bank or its affiliates (special audit, consulting services, internal audit services);
 - 4) employee of the bank or its affiliated parties;
 - 5) in other cases provided for by the legislation of the Kyrgyz Republic.
6. The external audit of the bank cannot be carried out by the same auditing organization for more than five years in a row. At the request of the bank, which is part of the banking group, the rotation period can be increased.
7. The external auditor shall be obliged, within one working day from the moment of detection, to inform the Board, the Board of Directors of the bank and the National Bank:
 - 1) on discovered facts that threaten stability of the bank;
 - 2) facts that are the grounds for introduction of the Transitional Administration and revocation of the license;
 - 3) on the decision to refuse to perform an external audit of the bank in the course of an audit of the bank;

- 4) on revealing of fraud or a fraudulent scheme, or on identification of transactions that fall within the characteristics of the operations on terrorism financing and/or anti-money laundering;
- 5) refusal of the bank to provide any information to the National Bank at the request of the external auditor;
- 6) on detection of violations or deficiencies that could lead to significant losses in the bank or an affiliated legal entity in accordance with the international auditing standards;
- 7) in other cases provided for by the legislation of the Kyrgyz Republic.

8. The external auditor shall be obliged to provide any information related to the audit at the request of the National Bank. Provision of such information shall not be considered disclosure of confidential information during an external audit.

9. If the National Bank recognizes an audit report that does not meet the requirements of the Kyrgyz legislation and/or international audit standards, the bank shall be obliged to conduct a second audit at its own expense.

10. The audit report should reflect information in accordance with the international auditing standards and the requirements of the National Bank.

11. The National Bank shall establish the requirements to external audit of the banks, including the requirements to the audit organization and the auditors.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Article 126. Audit of Banking Groups

1. If the bank is included in a banking group, the entire banking group is subject to mandatory audit. The reports for each participant of the group and a consolidated report shall be prepared based on the audit results of the banking group.

2. Audit of a banking group should be carried out by one audit organization.

3. The National Bank shall establish the requirements for the audit of a banking group, including exceptions to the requirement provided for in subsection (2) of this section.

4. The external auditor shall provide any information related to the audit of the banking group upon the request of the National Bank. Provision of such information shall not be considered disclosure of confidential information during an external audit.

Article 127. Terms of Audit, Approval, Submission and Publication of Annual Financial Statement of the Bank

1. At the end of the fiscal year, the bank shall be obliged to:

1) ensure that an external audit of the bank is carried out within a period not later than ninety days from the beginning of the new fiscal year;

2) provide the National Bank with a certified copy of the audit report together with the financial statements and the letter of the auditor to the Bank Management five working days before the date of the annual General Meeting of Shareholders;

3) ensure approval of the annual financial statements of the bank by the General Meeting of Shareholders within a period not later than ninety days from the beginning of the new fiscal year;

4) provide the National Bank with a certified copy of the audit report together with the financial statements approved by the General Meeting of Shareholders and the auditor's letter to the Bank Management within a period of not less than one hundred and five days from the beginning of the new fiscal year;

5) publish annual financial statements of the bank (including consolidated statements) together with the audit report in mass media, no later than one hundred and twenty days from the beginning of the new fiscal year in the form and in the order established by the National Bank.

2. The General Meeting of Shareholders of the bank shall not be entitled to review and approve the annual financial statements of the bank in the absence of an audit report.

Article 128. Publication of Financial Statements and Disclosure of Key Bank's Activity Indicators

The Bank shall be obliged to publish financial statements along with disclosure of the key indicators of its activity in accordance with the international standards of financial reporting and banking legislation of the Kyrgyz Republic.

Section IV. Banking Secrecy

Chapter 20. Banking Secrecy

Article 129. Banking Secrecy

1. Banking secrecy is any information that was transferred by the client to the bank or created by the bank, or arose in a different way in connection with the relationship of the bank with the client, including their pre-contractual relations in the course of carrying out banking activities.

2. Bank secrecy does not include:

- 1) legitimate public information (information that is freely available in accordance with the legislation);
- 2) information of a consolidated nature that does not allow the bank's client to be identified;
- 3) information on the bank's affiliated parties within the limits determined by the National Bank.

3. The requirements of this chapter shall also apply to non-banking financial and credit organizations and other legal entities supervised by the National Bank.

Article 130. Provision of Information Constituting a Banking Secret

1. The Bank shall be entitled to provide information constituting banking secrecy to any persons with the written consent of the client, unless otherwise provided by this article.

2. The bank shall be obliged to provide the National Bank with any information that constitutes banking secrecy. The National Bank shall be entitled to provide information that constitutes banking secrecy to the Government of the Kyrgyz Republic for the purposes of protecting state interests, as well as for the purposes of banking supervision to central banks/supervisory authorities of other states and other persons in the manner prescribed by the present Law.

3. Information constituting banking secrecy shall be provided by the bank:

- 1) to the court of the Kyrgyz Republic - in accordance with the legislation of the Kyrgyz Republic;
- 2) financial intelligence unit - in accordance with the legislation of the Kyrgyz Republic in the field of combating the financing of terrorism and the legalization (laundering) of criminal proceeds;
- 3) to the authorized state tax authority - for tax purposes in accordance with the tax legislation of the Kyrgyz Republic;
- 4) to credit bureau - in accordance with the law in the sphere of credit information exchange;

5) to the heirs (successors) of the client or their legal representatives - when submitting documents confirming the rights of inheritance (succession) provided for by the legislation of the Kyrgyz Republic, as well as state notary offices on hereditary cases in their proceedings on deposits of deceased depositors - on the basis of an official request by a notary offices for information.

4. The information constituting banking secrecy shall be provided to any other persons not specified in parts 2 and 3 of this article solely based on a judicial act.

5. When providing information constituting banking secrecy in accordance with parts 2, 3 and 4 of this article, the consent of the bank's clients is not required.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Article 131. Requirements for Request to the Information Constituting Banking Secrecy

Request to provide the information constituting banking secrecy shall contain:

1) the full official name and details of the person making a request, as well as the address, communication channels or other contact details indicating the way of transfer and the person authorized to receive the information;

2) the name of the person whom the request is addressed to;

3) the name of the client of the bank with indication of the limits and volume of the requested information constituting bank secrecy;

4) the purpose of using information constituting bank secrecy and the legal grounds for the request;

5) signature, stamp and information about the powers of the person having signed the request.

In case of non-compliance of the request to provide information constituting bank secrecy with the requirements of this article, the bank shall refuse to provide the information constituting bank secrecy.

Article 132. Use of the Information Constituting Banking Secrecy

1. The information constituting bank secrecy can be transferred by the bank for use to:

1) employees of the bank in order to fulfill their official duties related to the main activity of the bank;

2) persons who provide services to the bank in connection with banking activities, and if such information is required within the framework of these services;

3) the person who exercises control over the bank in order to prepare the consolidated report;

4) to the court on disputes between the bank and the client, in the case and within the limits necessary to protect their rights and legitimate interests. The hearing may be closed at the request of the bank or its client.

Such transfer shall not be considered as provision and disclosure of bank secrecy.

2. Herewith, the Bank shall ensure protection and confidentiality of information constituting banking secrecy transferred to the persons specified in the clause (1) of this section.

Article 133. Protection of the Information Constituting Banking Secrecy

1. The Bank, as well as any other persons who have been provided and/or disclosed information constituting banking secrecy, shall be obliged to ensure its proper protection and confidentiality.

2. Protection and confidentiality shall be ensured through adoption of adequate organizational, legal and technical measures for the proper storage, use, transfer, disclosure and protection against unauthorized access to the information constituting bank secrecy.

Article 134. Responsibility for Illegal Disclosure or Use of the Information Constituting Banking Secrecy

1. The bank, authorized state bodies and any other persons are liable for unlawful disclosure or use of information constituting bank secrecy in accordance with the legislation of the Kyrgyz Republic.

2. In case of illegal disclosure or use of the information constituting bank secrecy, the client or other persons whose rights are violated, shall have the right to demand compensation for the damage caused in this regard.

Article 135. Sharing of the Information Constituting Banking Secrecy

1. Legal entities may be established to form credit histories and provide the users with the information constituting bank secrecy in order to minimize credit risks and exchange information.

2. Banks shall have the right to exchange information constituting banking secrecy among themselves on a mutual contractual basis.

3. For the purposes of this article, the information constituting bank secrecy can be provided by the bank only with the consent of the clients and in compliance with the requirements of this chapter.

4. Provision and circulation of the information constituting banking secrecy for the purposes of legislation on the exchange of credit information shall not be considered as disclosure of banking secrecy in accordance with this Law. Under the information constituting banking secrecy provided and used for the purposes of legislation on the exchange of credit information, is meant credit information, which shall be determined in accordance with the legislation on the exchange of credit information. At the same time, information about the client's accounts for the purposes of the legislation on the exchange of credit information shall be limited to provision and circulation of information on funds acting as collateral. Information on transactions made on behalf of the client shall be limited to provision and circulation of information on performance of the obligations for the collateral in the form of a guarantee or surety.

5. Banks shall provide the credit bureau with the information constituting banking secrecy with the consent of its clients, the subjects of credit information.

The credit bureaus shall provide the information constituting banking secrecy to the users of credit information with the consent of the subjects of credit information.

6. Provision and circulation of the information constituting banking secrecy between banks, credit bureaus and users of credit information shall be carried out in accordance with the procedure and \ the legislation on the exchange of credit information.

Section V. Banking Supervision and Enforcement actions

Chapter 21. Banking Supervision and Prudential Standards

Article 136. Banking Supervision

1. The National Bank supervises and regulates the activities of the banks, non-banking financial-credit organizations and other legal entities in accordance with this Law and banking legislation of the Kyrgyz Republic, as well as the legislation of the Kyrgyz Republic in the area of combating the financing of terrorism and anti-money laundering.

2. Banking supervision shall be carried out through external supervision and inspection, as well as through the issue of regulatory standards. The National Bank shall determine supervision strategy for each bank with account of its specifics combining methods of integrated and targeted on-site inspections with external supervision.

3. An authorized collegial body for banking supervision may be established in the National Bank.

4. The National Bank shall cooperate with the authorized bodies of the financial sector of the Kyrgyz Republic and foreign countries.

5. The National Bank shall supervise the banking group on a consolidated basis (consolidated supervision) in accordance with the present Law.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Article 137. Information and Documents for the Purposes of Banking Supervision

1. The bank, its officers and other employees, shareholders of the bank and the affiliated parties shall be obliged to submit timely reports, documents and any information at the request of the National Bank.

2. Information and documents received by the National Bank and not related to banking secrecy are confidential information and shall not be published or transmitted, except for cases when it is necessary for the purposes of banking supervision in accordance with the present Law.

3. Employees of the National Bank and any other persons who have or had access to confidential information shall be prohibited from its disclosure otherwise than in the manner prescribed by the present Law.

4. The National Bank shall have the right to establish the procedure for providing information on their activities for the banking group, which is necessary for conducting supervision on a consolidated basis.

5. The National Bank shall form databases, including the credit register of the National Bank. The National Bank shall determine the procedure for the formation of a credit register.

Article 138. Prudential Standards, Requirements and Restrictions for the Bank

1. The following types of prudential standards and requirements shall be established for the banks:

1) minimum amount of the charter capital;

2) minimum amount of own (regulatory) capital;

3) standards of sufficiency (adequacy) of capital;

4) maximum amount of risk per borrower or group of related borrowers;

5) liquidity ratio (indicators);

6) requirements to limit the currency, credit, operational and other risks and manage them;

7) requirements for the order of formation of reserves;

8) other types of regulations, requirements and restrictions established by the National Bank.

2. The National Bank shall determine the size of prudential standards, requirements and restrictions and the methods of their calculation.

3. The National Bank may establish other sizes of prudential standards, requirements and restrictions in relation to system banks and non-banking financial and credit organizations. The National Bank shall determine the status of the system.

4. The National Bank shall establish prudential standards and other mandatory requirements, norms and limits for the banks that carry out operations and transactions in accordance with the Islamic principles of banking industry and financing.

5. Banks and their officials shall be responsible for violation of prudential standards, requirements and restrictions established by the banking legislation of the Kyrgyz Republic.

Article 139. External Supervision over the Bank Activities

1. External supervision over banks shall be carried out remotely, on an ongoing basis, by analyzing the activities of banks according to the reports submitted and other information, as well as interaction with the bank's governing bodies in the main areas of the bank's activities.

2. An authorized officer of the National Bank shall be entitled to request documents and information from the bank, as well as visit the supervised bank, hold meetings with the management, other officials and employees of the bank.

3. The National Bank shall determine the organization, authorities and procedures for exercising external supervision over the activities of banks.

Article 140. Inspection of the Bank Activities

1. The National Bank shall periodically conduct inspection of the bank activities by referring authorized employees to the bank.

2. The following evaluation shall be carried out within the framework of the inspection:

1) financial condition of the bank, quality and effectiveness of management;

2) inherent risks of the bank, which affect stability and safe operation of the bank;

3) reliability of financial and regulatory reporting of the bank;

4) compliance of the bank with the instruction, requirements and recommendations of the National Bank;

5) compliance of the bank with the norms of the banking legislation of the Kyrgyz Republic and the legislation of the Kyrgyz Republic in the area of combating the financing of terrorism and anti-money laundering;

6) performance of other duties and requirements by the bank that have been established by the banking legislation of the Kyrgyz Republic.

3. Authorized employees of the National Bank in the course of inspection shall be entitled to:

1) have an access to any premises of the bank, require provision of any documents and information, including obtaining copies thereof;

2) to meet with the external auditor, officials and other employees of the bank, other persons rendering services to the bank, and also receive oral and written information from them;

3) to carry out other necessary measures in connection with the inspection of the bank.

4. The bank under inspection shall:

1) provide all documents and information required by the National Bank, with the exception of information on access codes (passwords, PIN codes) of the users and clients to automated systems;

- 2) provide access to information systems and databases of the bank in accordance with the requirements of the National Bank in the presence of an authorized employee of the audited bank;
- 3) provide a separate room, office equipment and communications facilities;
- 4) to carry out other cooperation.

5. The requirements of this article shall also apply to the banking group and its participants, any other company having common interests with the bank, and any other affiliated persons.

6. The National Bank shall determine the order of inspections.

7. The report on the results of the bank's inspection is a confidential document of the National Bank and is not transferable to third parties without the consent of the National Bank. The Board of Directors and the Bank Management Board shall be obliged to familiarize themselves with the report on the results of the inspection of the bank against the signature set by the National Bank.

8. The National Bank shall have the right to involve auditors, experts, specialists, as well as other authorized state bodies and organizations in the inspection audit of the bank. The persons involved in the inspection shall be obliged to observe the confidentiality of information and the requirement of non-disclosure of banking secrets in accordance with the legislation of the Kyrgyz Republic.

9. The National Bank and foreign banking supervisors shall have the right to conduct mutual inspections of supervised subjects in each other's territory based on the relevant bilateral agreements.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Chapter 22. Banking Group. Consolidated Supervision

Article 141. Consolidated Supervision Object

1. The National Bank shall carry out consolidated supervision with respect to the banking group:

1) headed by the bank and its subsidiaries and/or affiliates;

2) headed by a bank holding company, where a bank shall act as one of its subsidiaries and/or affiliates established within the territory of the Kyrgyz Republic. A bank holding company is a parent company, where a bank shall act as one of its subsidiaries and/or affiliates;

3) groups of legal entities engaged in banking and/or financial activities, which includes a bank controlled by the same person, alone or in association with other persons.

2. If there is no parent company in the group of legal entities, one of the legal entities of the group authorized by the controlling person shall fulfill the obligations to provide consolidated reporting and information to the National Bank with the consent of the National Bank.

3. The National Bank shall have the right establish cases of non-application of consolidated supervision requirements.

Article 142. Activity of Banking Groups

1. Companies belonging to a banking group may only conduct banking and/or financial activities, and the activities related to banking and/or financial activities, including the ownership of shares of group members in the case of bank holding companies.

2. A bank that is a member of a banking group shall operate independently of the other participants in the banking group. Bank holding companies established in the Kyrgyz Republic and included in the banking group should be in the form of a joint-stock company.

3. A bank that is at the head of a banking group, a bank holding company or a parent company that controls a group of legal entities shall be responsible for compliance of the entire banking group with the banking legislation of the Kyrgyz Republic.
4. The Board of Directors and the Bank Management Board, which heads the banking group, the bank holding company and the parent company that controls the group of legal entities, shall ensure the proper exchange of necessary information between all participants of the banking group.
5. In case of a threat to the financial condition of a bank established in the territory of the Kyrgyz Republic as a result of its participation in a banking group, the bank shall immediately notify the National Bank thereof in writing.
6. The requirements of the present Law applied to banks, shall apply to the banking group and participants of the banking group in the amount and limits established by the National Bank.

Article 143. Prudential Standards and Other Requirements

1. The National Bank shall establish the requirements for adequacy of the capital of members of banking groups, as well as other prudential standards and requirements that are mandatory for compliance by the banking group.
2. The banking group shall have an appropriate level of capital sufficient to cover the potential losses and losses of all participants in the banking group.
3. The capital of the banking group and members of the banking group shall comply with the requirements established by the National Bank. Participants in the banking group should have policies and procedures to ensure the adequacy of capital. Participants in the banking group shall be responsible for ensuring the adequacy of capital.
4. Participants of the banking group shall be obliged to notify the National Bank of all facts and circumstances that may significantly affect the adequacy of capital immediately.

Article 144. Risk Management and Internal Control

1. Participants in a banking group shall not take risks in their activities that could jeopardize the financial stability of any participant in the banking group or the banking group as a whole.
2. The banking group and its participants shall have appropriate systems (policies) for risk management and internal control corresponding to the activities of the banking group, as well as the present Law and the legislation of the Kyrgyz Republic.
3. The banking group and its participants shall comply with the National Bank's restrictions on major risks, investment and currency positions on a consolidated basis, and fulfill other requirements for minimizing risks and limiting activities. The National Bank may establish restrictions on the operations and transactions between members of a banking group.
4. The bank, which is at the head of a banking group, a bank holding company and a parent company that controls a group of legal entities, shall be responsible for compliance by the banking group with the requirements of the National Bank to the system of internal control and risk management.

Article 145. Reports and Information Provided by a Banking Group

1. The banking group shall be obliged to disclose and provide the National Bank with consolidated accounts and information on its activities in accordance with the list in the form, scope, procedure and terms established by the National Bank, including with respect to the participants of the non-resident banking group of the Kyrgyz Republic.
2. Other legal entities in relation of which the banking group or its participants have a significant (direct or indirect) influence shall be required to provide them with reports on their activities in order to prepare consolidated financial statements.

3. The banking group shall provide the National Bank with the information on the members of the Board of Directors and the Bank Management, significant participants, persons who directly or indirectly exercise control over the other persons related to them in the amount, order and terms established by the National Bank.

4. The National Bank shall have the right to require submission of other reports and information from the banking group and its participants to assess the financial condition, the risk management system, the quality of corporate governance and other oversight purposes.

Article 146. Enforcement actions to the Participants of a Banking Group

1. Any participant (individuals and legal entities) of a banking group or an official may be subjected to the enforcement actions in accordance with this article if:

1) affiliated parties do not take measures to eliminate identified violations and deficiencies that cause or may cause damage the financial stability of the bank and the interests of the bank's depositors at the request of the National Bank;

2) a significant participant of the bank does not take measures in relation to the companies controlled by them, whose activities or financial situation cause or may cause damage the bank's financial stability and the interests of the bank's depositors at the request of the National Bank;

3) the head (parent) bank/company and/or foreign supervisory authority exercises insufficient control/supervision over the members of the banking group, which does not allow to identify and minimize risks within the banking group according to the assessment of the National Bank;

4) The National Bank cannot access the necessary information for conducting supervision on a consolidated basis;

5) on other grounds stipulated by the present Law.

2. The National Bank shall have the right:

1) in the case of a subsidiary of the bank - to require the bank to suspend any investment in the company;

2) in the case of affiliated parties of the bank - to require the bank and/or affiliated parties to suspend operations, transactions (direct and indirect) between such affiliated parties and the bank;

3) in the case of a bank holding company - to require the bank holding company to suspend control over the bank, including suspending the exercise of voting authorities over stock directly or indirectly;

4) in the case of companies that are controlled by significant bank participants – to require a significant participant:

a) to suspend participation in the activities of the bank, including suspending the exercise of voting authorities over stock directly or indirectly;

b) suspend implementation of direct and indirect transactions, operations between the bank and a significant participant and/or between a bank and a company controlled by a significant participant in the bank;

5) in the case of a subsidiary or an affiliated company of the bank - to demand that the bank reduce its investment to a level where the company is no longer a subsidiary or an associate of the bank;

6) in the case of a bank holding company - to cancel the permit to purchase a threshold participation in the capital of the bank and request the sale of a corresponding capital participation;

7) in the case of a subsidiary of the parent company of the bank - to require that the banking holding company cease control of the subsidiary company or the bank;

8) in the case of companies that are significant participants of the bank - to cancel the authorization to acquire a threshold participation in the capital of the bank and demand termination of significant participation in the bank;

9) in the case of legal entities controlled by significant members of the bank - to cancel the authorization to be a significant participant in the bank and to demand termination of significant participation in the bank.

3. In the cases specified in clauses 2 to 3 of this article, authorities over stock shall not be taken into account when calculating the quorum of a general meeting of the bank and when making decisions. All previously adopted decisions shall be considered invalid if the number of authorities over stock affected the decision on the merits. At the request of the National Bank, the person in breach shall be obliged to sell the corresponding capital participation to the persons not connected with him within the prescribed period. Otherwise, the National Bank shall apply to the court with a request for compulsory alienation of shares of the said person.

4. In the cases specified in clauses (1) 1), 2), 4) of this article, if transactions are carried out in violation of the requirements of the National Bank, such transactions are knowingly void. The National Bank shall have the right to turn to the court with a request to apply the consequences of invalidity of a void transaction.

Article 147. Interaction between the National Bank and the Authorized State Bodies of Financial Sector

1. If the participant of a banking group is subject to supervision by other authorized state bodies, the National Bank and other authorized state bodies shall cooperate for the purpose of comprehensive supervision of the banking group.

2. The authorized state bodies shall provide the National Bank with any available information regarding the banking group or the participant of the banking group upon the request of the National Bank.

3. In the course of interaction, the National Bank and other authorized state bodies shall conclude appropriate agreements providing for an agreed plan of action and coordination of activities with respect to the banking group or its participants.

Article 148. Cooperation Between the National Bank and Foreign Supervisory Authorities

1. The National Bank shall enter into cooperation agreements with foreign supervisory authorities in accordance with the legislation of the Kyrgyz Republic for the purpose of comprehensive and effective supervision of the banking group on a consolidated basis.

2. The National Bank shall have the right to exchange necessary information, including bank secrecy, conduct targeted audits on request (including joint ones) and mutual consultations, and notify the applied measures of impact within the framework of cooperation with foreign supervisory authorities on consolidated supervision.

Chapter 23. Enforcement actions Applied to Banks

Article 149. General Provisions

1. The National Bank shall apply the enforcement actions provided for by the present Law to the bank, its shareholders and officials, and to the banking group. The provisions of the present Law with regard to application of the enforcement actions and the procedure for their appeal shall be also applied to non-banking financial and credit organizations and the other legal entities supervised by the National Bank, unless otherwise provided for by the law.

2. The purpose of the enforcement actions that are applied by the National Bank is the prompt early response, adjustment and elimination of problems to maintain stability of banks and the banking system of the Kyrgyz Republic as a whole, protecting the interests of depositors and other creditors.

3. The enforcement actions shall be applied by the National Bank on the grounds, in the cases and in the manner provided for by the present Law. The National Bank shall independently determine expediency, type and order of application of enforcement actions to the bank.

The National Bank shall establish the signs of unhealthy and unsafe banking practices and determine involvement of banks and their officials.

4. The National Bank applying the enforcement actions to banks should be guided by the need to maintain high standards of banking practice and stability of the financial and banking system of the Kyrgyz Republic. It shall not be entitled to be under the influence of the interests of shareholders, bank officials, affiliated parties and any other persons, or to take into account the potential losses that they may incur due to the enforcement actions applied by the National Bank.

5. The National Bank shall publish information on the enforcement actions taken to banks, as well as any change or termination of such measures, unless the publication could damage the interests of depositors and other creditors of the bank, stability, security and integrity of the banking system of the Kyrgyz Republic, and the other cases established in the regulatory legal acts of the National Bank. The National Bank shall establish the terms and procedure for publishing such information. Publication of such information shall not be a disclosure of bank secrecy.

Article 150. Grounds for Enforcement Actions

1. The grounds for enforcement actions shall be violations of the norms, requirements and restrictions established by the present Law and the banking legislation of the Kyrgyz Republic, as well as the legislation of the Kyrgyz Republic in the area of combating the financing of terrorism and anti-money laundering.

2. The enforcement actions shall be also applied in the other cases provided for by the present Law.

(As amended by the Laws of the Kyrgyz Republic of August 6, 2018 # 88)

Article 151. Enforcement Actions

The enforcement actions shall include:

1) order:

a) on elimination of the violation;

b) on bringing activities in line;

c) on performance of certain actions;

2) fine:

a) on the bank - not exceeding ten percent of the minimum charter capital;

b) on an official of the bank - in the amount not exceeding the average annual remuneration, including all types of payments (salary, premiums, bonuses, etc.);

c) non-banking financial and credit organizations and other legal entities supervised by the National Bank - in the amount of not more than ten percent of the book value of assets and their officials - not exceeding the average annual remuneration, including all types of payments (salary, premiums, bonuses, etc.);

3) requirement:

a) on carrying out measures for financial recovery, restructuring and/or reorganization of the bank;

b) on conducting a repeated/special external audit of the bank;

- c) on the sale of bank shares within the period specified by the National Bank;
- d) reduction of administrative expenses;
- e) changes in the organizational structure of the bank;
- e) changes in policies, regulations, procedures and other internal regulatory documents of the bank;
- 4) increasing prudential standards and requirements;
- 5) restriction or prohibition on:
 - a) disposal of the bank's property and/or cash;
 - b) distribution of profits and/or payment of bonus awards;
 - c) making investments and real estate, securities transactions and other transactions;
 - d) implementation of certain types of banking operations;
 - e) establishment of subsidiaries, branches, representative offices and other structural subdivisions of the bank;
 - e) conducting transactions and transactions with related parties;
 - g) to the shareholder for further participation in the activities of the bank;
- 6) suspension or dismissal of officials, change of management bodies;
- 7) introduction of a special regime:
 - a) introduction of direct banking supervision;
 - b) introduction of the Provisional Administration;
- 8) withdrawal of a license on the grounds provided for by the present Law.

Article 152. Order of Application and Appeal of Enforcement Actions

1. The National Bank shall establish the procedure for applying enforcement actions to banks.
2. The enforcement actions applied to banks shall come into force from the date of signing the corresponding document of the National Bank, unless otherwise provided.
3. The enforcement action applied to the bank may be canceled by the decision of the National Bank.
4. The enforcement action can be applied not later than twelve months from the date of detection of the violation.
5. The factor of timely informing the National Bank of the known violation of the norms of the banking legislation of the Kyrgyz Republic, as well as taking of all possible measures to prevent or eliminate such violation, including by voting in the decision-making process by the collegial management body of the bank shall be taken into account when considering the responsibility of bank officials in accordance with the present Law.
6. The enforcement actions applied to banks and their officials in accordance with the present Law do not apply to administrative sanctions.
7. Decisions of the National Bank on application of enforcement actions to banks may be appealed in accordance with the procedure established by the present Law.

Section VI. Financial Recovery of the Bank.
Provisional Administration and Restructuring

Chapter 24. Financial Recovery of the Bank

Article 153. Plan of Financial Recovery of the Bank

1. The Bank shall be obliged to have a plan of financial recovery approved by the Board of Directors in case of financial difficulties and problems.
2. The plan should provide for adequate measures, methods and resources to restore the bank's stable operations.
3. The bank shall be obliged to assess adequacy of the plan of the bank's financial recovery.
4. The plan of the bank's financial recovery, including the updated one, shall be subject to agreement with the National Bank. The National Bank shall establish the requirements for compiling and updating the plan of the bank's financial recovery.
5. If the bank is part of a banking group, the bank shall additionally have a plan of financial recovery of the banking group. The requirements of this chapter shall apply to a banking group.

Article 154. Financial Recovery of the Bank upon Request of the National Bank

1. The National Bank may require the bank to apply the actions provided for by the plan of financial recovery, as well as any other actions at any time, at its discretion, in accordance with the banking legislation of the Kyrgyz Republic.
2. The Board of Directors of the bank shall be obliged to approve the program of financial recovery of the bank in accordance with the requirements of the National Bank.
3. From the date of the National Bank's demand, the bank shall not be entitled to take decisions on distribution of profits, payment of dividends, and fulfillment of any financial obligations to shareholders and on the payment of any remuneration to officials and bank employees, with the exception of wages.
4. The National Bank shall be entitled to impose a ban or restriction on the satisfaction of claims of creditors on the monetary obligation of the bank, if it leads to a deterioration of its financial condition or bankruptcy during the period of measures for financial recovery of the bank.

Chapter 25. Provisional Administration

Article 155. General Provisions

1. Provisional administration - a special management regime and the activities of the bank introduced by the National Bank as an enforcement action in accordance with the present Law.
2. The provisional administration shall be introduced for the following purposes:
 - 1) establishment of control over the bank to ensure the security of assets, documents and information;
 - 2) establishment of the actual state of things in the bank and determining its future activities;

3) protection of the rights and legitimate interests of depositors and other creditors of the bank, ensuring stability and security of the banking system of the Kyrgyz Republic.

3. The provisional administration shall be introduced for a period of up to six months. The term of the Provisional Administration may be extended only once for a period not exceeding six months.

4. The provisional administration shall terminate upon the expiry of the term of the Provisional Administration or early upon the decision of the National Bank.

5. The management bodies of the bank and interested parties shall be notified on the decision of the National Bank on introduction of the Provisional Administration in accordance with the established procedure.

6. The National Bank may withdraw a license from the bank at any time and initiate a procedure for the forced liquidation of a bank during the period of the Provisional Administration.

7. The decision of the National Bank to introduce the Provisional Administration and termination of its activities shall be published in mass media and on the website of the National Bank.

Article 156. Grounds for Introduction of Provisional Administration

1. The National Bank shall be obliged to introduce the Provisional Administration in the bank on any of the following grounds:

1) the amount of the bank's own capital shall be less than seventy-five percent of the minimum amount of its own (regulatory) capital established by the National Bank;

2) any of the capital adequacy ratios shall be less than fifty percent of the coefficient set by the National Bank;

3) the bank shall be unable to satisfy the creditor's lawful claims on debt obligations within the next five working days after the due date.

2. The National Bank shall have the right to introduce the Provisional Administration in the bank on any of the following grounds:

1) the bank violated the requirements for capital and/or there are grounds to believe that the financial condition of the bank will seriously deteriorate according to the National Bank;

2) there are any grounds for withdrawing the license in accordance with the present Law;

3) there are disagreements between the management bodies of the bank disrupting its work, and/or the management of the bank is lost, when the management bodies or officials of the bank are unable to perform their functions, including cases when the bank is refused voluntary liquidation;

4) other grounds provided for by the present Law.

Article 157. Consequences of Introduction of Provisional Administration

1. The following consequences shall occur since introduction of the Provisional Administration in the bank:

1) the powers of the management bodies and officials of the bank shall be suspended and transferred to the Provisional Administration. Only Provisional Administration can act as a legal entity on behalf of the bank. Any actions taken by someone on behalf of the bank shall be considered insignificant;

2) all banking operations, transactions and other activities shall be suspended, unless the National Bank establishes otherwise;

3) execution of judicial acts on recovery of debts from the bank shall be suspended, with the exception of property in the trust management of the bank;

4) proceedings on civil and economic cases on which the bank is party, shall be suspended;

5) execution of any compulsory acts of the authorized state bodies taken with respect to the bank shall be suspended;

6) accrual of interest, forfeit and other financial sanctions on all debt obligations of the bank, including payment of mandatory payments to the budget;

7) distribution of profit, payment of dividends, fulfillment of any financial obligations to shareholders, as well as payment of any remuneration (bonuses, premiums and other incentive payments, except for fixed wages) to officials and employees of the bank.

2. The National Bank shall determine the procedure for carrying out banking operations and payments, as well as other activities during the Provisional Administration.

3. The Provisional Administration can make payments on the deposits of the persons not related to the bank according to the decision of the National Bank.

4. The rules of finality of settlements in payment systems and securities settlement systems provided for by the present Law may be applied with the consent of the National Bank.

5. The Bank shall bear full responsibility for all operations and transactions conducted by the Provisional Administration on behalf of the bank in accordance with the present Law.

6. The payment of wages and compensation for damage caused to the life and health of employees shall not be suspended during the period of the Provisional Administration.

7. Service providers (electricity, water, communications, security and others) shall not be entitled to terminate the agreements for provision of services with the bank on unilateral basis in connection with introduction of the Provisional Administration.

Article 158. Provisional Administrator

1. A person who has an impeccable business reputation and has experience in the financial and banking system for at least five years and who meets the qualification and other requirements established by the National Bank may be appointed as a provisional administrator. Employees of the National Bank cannot be a provisional administrator.

2. The provisional administrator shall act based on the agreement concluded with the National Bank.

3. In order to prevent conflict of interests, a person applying for the position of the Provisional Administrator shall be obliged to provide the National Bank with the exhaustive information about his personal data and business interests in the established form.

4. Remuneration of the Provisional Administrator and the specialists attracted by him who are not the employees of the National Bank shall be paid at the expense of the bank. If the bank, where the Provisional Administrator is appointed, does not have liquid funds to remunerate the Provisional Administrator and attracted specialists who are not the employees of the National Bank, according to the decision of the National Bank, these expenses shall be covered by the National Bank's own funds. These expenses will be charged to the expenses of the bank where the Provisional Administrator is appointed. The employees of the National Bank attracted to be the members of the Provisional Administration, shall be remunerated at the expense of the National Bank's own funds.

Expenses undertaken by the National Bank in accordance with paragraph one of this part shall be redeemed by the bank if the activities implemented by the Provisional Administration are terminated, and if the procedure of forced liquidation in relation to the bank is commenced - in accordance with the priority of satisfying the creditors' claims established by Article 189 of this Law.

5. The estimate of the expenses of the Provisional Administration shall be drawn up by the Provisional Administrator and agreed with the National Bank. The provisional administrator shall report on the expenses of the Provisional Administration in the manner and terms established by the National Bank.

6. The civil liability of the Provisional Administrator shall be subject to compulsory insurance. The National Bank shall determine requirements to the insurer and insurance conditions.

(As amended by the Laws of the Kyrgyz Republic of December 10, 2018 # 100)

Article 159. Authorities and Organization of Work of Provisional Administrator

1. The Provisional Administrator shall exercise all authorities of the bank's management bodies under the charter and legislation of the Kyrgyz Republic, with the exception of the authority of decision-making concerning voluntary liquidation.

2. The Provisional Administrator shall exercise his authorities to achieve the objectives provided for in the present Law. The Provisional Administrator shall act in good faith and reasonably in the best interests of the bank, its depositors and other creditors.

3. The Provisional Administrator shall coordinate his actions with the National Bank and account to it. The Provisional Administrator shall carry out operations and payments with the permission of the National Bank.

4. The National Bank shall establish the procedure for organizing the work and reporting of the Provisional Administrator.

Article 160. Conclusion of the Provisional Administrator

The Provisional Administrator shall provide the National Bank with a conclusion including one of the following recommendations upon the analysis of the financial condition of the bank and evaluation of its activities within a period of not later than fifteen calendar days from the date of introduction of the Provisional Administration in the Bank:

- 1) to resume the independent activity of the bank in connection with elimination of problems;
- 2) withdraw the license and begin compulsory liquidation of the bank;
- 3) carry out actions on restructuring the bank provided for by the present Law.

Chapter 26. Bank Reorganization

Article 161. General Provisions of Bank Reorganization

1. Bank reorganization is a set of measures taken against a bank in order to protect the interests of depositors and other creditors, maintaining continuity of the systemically important banking or payment functions of the bank, as well as ensuring stability of the banking and financial system. Bank shall be reorganized through application of the following measures, separately or in a complex:

- 1) bank recapitalization;
- 2) transfer or sale of assets and liabilities of the bank;
- 3) creation of a "transitional bank".

2. In implementation of any measures to reorganize the bank, they should not worsen the position of the bank's creditors in comparison with that they would have if the bank was forced to liquidate.

3. Application of measures for bank reorganization should be preceded by an assessment of the assets and liabilities of the bank in accordance with the procedure established by the National Bank.

4. Measures on the bank reorganization shall not limit the powers of the National Bank to apply the enforcement actions provided for by the present Law.

5. Any decisions and actions to implement the measures on the bank reorganization shall not be subject to suspension by the court. Interested persons shall have the right to turn to the court for protection of their rights and interests.

6. A reorganized bank may be subject to compulsory liquidation by a decision of the National Bank in accordance with the present Law.

7. Measures to reorganize the bank shall be carried out by the Provisional Administrator under the Provisional Administration regime with the consent of the National Bank. The National Bank shall set the specifics of implementing the measures on the bank reorganization.

Article 162. Bank Recapitalization

1. Bank recapitalization is capital shift, a change in the structure of assets and the structure of liabilities by introducing additional capital, covering losses, converting the bank's liabilities into capital, including liabilities to shareholders and related parties and by other means that do not contradict to the legislation.

2. When taking measures to recapitalize the bank, the consent of shareholders and creditors of the bank shall not be required, unless otherwise provided by this article.

3. Bank recapitalization shall be carried out:

- 1) by covering losses at the expense of shares and other capital accounts of shareholders (reserves, retained earnings, etc.). In this case, shares shall be canceled;
- 2) by covering losses from the bank's liabilities to its shareholders and related parties or converting such liabilities into the bank's capital. At the same time, such obligations shall be terminated;
- 3) by issuing new shares and selling them;
- 4) by attracting a subordinated loan;
- 5) through application of other measures.

4. Transformation of bank's liabilities into capital shall not be allowed with respect to its following obligations:

- 1) on deposits subject to protection under the law on protection of bank deposits;
- 2) on claims of creditors secured by a pledge in the amount not exceeding the value of the subject of pledge;
- 3) to the clients that are accounted for separately from the bank's funds;
- 4) on wages, severance pay, as well as liabilities arising from damage to the life and health of a bank employee;
- 5) on mandatory payments to the budget and other extra-budgetary funds.

5. The decision to participate in recapitalization of the system bank shall be made by the Government of the Kyrgyz Republic on the recommendation of the National Bank. Recapitalization of a system bank with involvement of funds allocated by the Government of the Kyrgyz Republic shall be carried out after the measures specified in clauses 1 and 2 of part 3 of this article.

6. Implementation of recapitalization at the expense of funds or guarantees of the National Bank shall be prohibited.

7. Other persons may participate in recapitalization of the system bank with the consent of the National Bank.

8. The National Bank shall establish the procedure and conditions for bank recapitalization measures.

Article 163. Transfer or Sale of Assets and Liabilities of the Bank

1. Transfer or sale of the bank's assets and liabilities shall be carried out if, according to the assessment of the National Bank:

- 1) there is a real threat of bankruptcy recognition and failure to take such a decision can worsen the situation of depositors and other creditors that are not related to the bank;
- 2) such decision is the best way to ensure protection of depositors and other creditors that are not related to the bank, as well as safety of the deposit base;
- 3) this measure is necessary to maintain stability and security of the financial and banking system and to prevent undermining public confidence in banks.

2. When transferring or selling assets and liabilities of a bank, all or part of the bank's assets and liabilities may be transferred or sold in any amount and in any ratio.

3. Transfer or sale of assets and liabilities of the bank shall be carried out on market terms. The proceeds from the sale of bank assets shall be directed to a reorganized bank.
4. In case of transfer or sale of assets and liabilities of a bank, a person who accepts or acquires them shall have appropriate licenses or permits.
5. Transfer or sale of assets and liabilities of the bank does not require the consent of the creditors and shareholders of the bank, as well as any other interested persons.
6. The National Bank shall publish a message on the transfer or sale of assets and liabilities of the bank in mass media and on the website of the National Bank.
7. The bank's liabilities for deposits subject to protection in accordance with the law on protection of bank deposits shall be subject to transfer as a matter of priority.
8. The transfer or sale of assets and liabilities of the bank shall not be a violation of the rights of depositors and other creditors.
9. Creditors, shareholders of the bank and other persons whose assets, liabilities and rights are not transferred or sold shall not be entitled to pretend or claim their rights on any grounds for assets, liabilities and rights transferred or sold to other parties.

Article 164. Use of Funds of Deposit Protection Fund

1. The funds of the Deposit Protection Fund can be used in the amount and on terms agreed between the authorized body for deposit protection with the National Bank in the course of implementing the measures on transfer or sale of assets and liabilities of the bank.
2. The funds of the Deposit Protection Fund shall be used when transferring liabilities for deposits to another bank only with respect to the deposits subject to protection in accordance with the law on protection of bank deposits.
3. The amount of funds provided by the Deposit Protection Fund in accordance with this article may not exceed the amount of payments on deposits upon occurrence of a guarantee event under the law on the protection of bank deposits.
4. Use of the resources of the Deposit Protection Fund for the purposes of this Article shall be equated to the payments in the event of a guarantee event. Reimbursement of the funds of the Deposit Protection Fund shall be made in the order of priority of the creditors established by the present Law.

Article 165. Establishment of "Transitional" Bank

1. The provisional administrator shall be entitled to establish a "transitional" bank with the consent of the National Bank on the basis of the assets and liabilities of the reorganized bank.
2. The state registration of a "transitional" bank as a legal entity and issuance of a license of the National Bank shall be made within seventy-two hours from the date of application to the authorized state body.
3. The National Bank shall establish the procedure for issuing a license, requirements for prudential and other economic standards of a "transitional" bank.
4. The official publication on establishment of the "transitional" bank shall be made no later than the next day after issuance of the license of the National Bank.
5. The provisional administrator shall be obliged to sell shares of the "transitional" bank by any available means in the shortest time, but not later than one year from the moment of its establishment. The period for sale of shares of the "transitional" bank can be extended only once for up to one year according to the decision of the National Bank. In the event that the shares of the "transitional" bank shall not be sold within the prescribed period, then it is subject to liquidation. All the information related to sale of shares of the "transitional" bank should be open and transparent, implementation should be carried out on market conditions without giving preferences to individual buyers.
6. The proceeds from the sale of shares of the "transitional" bank shall be sent to the reorganized bank.
7. The consequences of introduction of the Provisional Administration provided for by the present Law shall not be applied to the "transitional" bank.

8. The “transitional” bank shall acquire the status of a participant in the deposit protection system without an entry fee from the moment of establishment.

9. “Transitional” bank, as a legal entity, shall not be a legal successor of a reorganized bank and shall not be liable for any of its obligations, except for those obligations that were transferred to it in accordance with the present Law.

10. Transfer of assets and liabilities to the “transitional” bank shall be made in accordance with the rules of Article 163 of the present Law.

Article 166. Interaction of the National Bank with the Other Interested Persons in Implementation of Restructuring Measures

1. The National Bank shall have an action plan for implementation of measures on restructuring of banks, including the one agreed upon with the Government of the Kyrgyz Republic and the other interested bodies.

2. The National Bank shall interact with foreign authorized bodies to implement supervisory measures in respect of the banking group.

Section VII. Pre-Judicial and Judicial Appeal against Decisions of the National Bank

Chapter 27. Pre-Judicial and Judicial Appeal against Decisions of the National Bank

Article 167. Procedure and Terms of Pre-Judicial Appeal

1. Pre-judicial appeal against the decisions of the National Bank shall be mandatory. Any decisions of the National Bank shall be subject to pre-judicial appeal, except for the decisions of the Board of the National Bank, which are appealed to the court.

2. Pre-judicial appeal shall not suspend the actions of the decisions of the National Bank.

3. Pre-judicial appeal against the decisions of the National Bank shall be made within a period not later than twenty working days from the date of receipt of the relevant decision of the National Bank.

4. The National Bank shall consider the complaint on the merits within a period not later than thirty calendar days from the date of receipt of the complaint. The National Bank shall have the right to extend the period for consideration of the complaint once for thirty calendar days.

5. The National Bank shall establish the procedure for pre-judicial appeal against the decisions of the National Bank.

Article 168. Judicial Appeal

1. Decisions of the National Bank may be appealed in the court.

2. The decisions of the National Bank on restructuring of the bank, introduction of the regime of the Provisional Administration and withdrawal of the license, the measures to secure for the claim shall be applied with the exceptions provided for by the Civil Procedure Code of the Kyrgyz Republic.

Article 169. Nature of the Trial

The decision of the National Bank can be recognized as invalid by the court and canceled if there are no legal grounds for adopting the decision appealed.

Section VIII. Liquidation of Banks**Chapter 28. General Provisions****Article 170. General Provisions on Bank Liquidation**

1. The bank shall be liquidated in the form of voluntary liquidation (self-liquidation) or forced liquidation. The procedure for voluntary liquidation (self-liquidation) of a bank shall be conducted through extra-judicial procedure, and the procedure for compulsory liquidation of a bank shall be conducted in a judicial procedure.

2. The reason for liquidation of the bank in any form is the decision of the National Bank to withdraw the license. The National Bank shall withdraw the bank's license on the initiative of the bank (voluntary liquidation) or on its own initiative (compulsory liquidation).

The National Bank shall withdraw the license of the bank on its own initiative or in the order of satisfaction of the application of interested persons (shareholders, creditors) in accordance with the present Law. If the National Bank does not agree with the justifications of the interested parties, liquidation of the bank in any form cannot be started.

Court proceedings for the procedure of compulsory liquidation of a bank upon the application of its creditors, shareholders or other interested persons in the absence of a decision of the National Bank to withdraw a banking license shall be prohibited.

3. Liquidation of a bank in any form shall be carried out exclusively in accordance with the present Law.

4. Application of the norms of other laws of the Kyrgyz Republic to the liquidation of banks shall be applied only in the cases directly provided for by the present Law.

5. The National Bank shall send a written notice of withdrawal of the bank's license to the authorized deposit protection authority and the authorized state body on registration of legal entities within two working days from the date of withdrawal of the license.

6. The National Bank shall publish a notice on withdrawal of the bank's license on the website and in the national mass media within three working days.

7. The National Bank shall monitor the bank under liquidations before the final completion of all procedures, including approval of the final report of the liquidator.

8. The following shall be established in order to ensure equality of claims of creditors of one queue to the assets of a bank under liquidation, which activities were carried out in more than one country:

1) The National Bank shall cooperate with supervisory and other official bodies of foreign countries, where the branches, representative offices or subsidiaries of a bank registered in the territory of the Kyrgyz Republic are located, including exchanges of information within the framework of banking supervision and liquidation procedures, including bank secrecy;

2) the court of the Kyrgyz Republic shall recognize the decisions of foreign courts taken in respect of a bank that has a branch, representation or subsidiary abroad, taking into account the official conclusion of the National Bank in accordance with the legislation and international treaties of the Kyrgyz Republic.

9. All documents of the bank under liquidation, as well as the agreements concluded by the bank's liquidator shall contain a record stating that the bank is in the process of liquidation.

10. Liquidation of the bank shall not entail a legal succession.

Article 171. Liquidation of a Bank In Connection with Bankruptcy

1. Insolvency of the bank shall be established by the National Bank and shall be recognized by the court. The bank default procedure is the basis for production in the court with bankruptcy petition and beginning of the bankruptcy process in accordance with the present Law. If the insolvency of the bank is established, the banking license is subject to withdrawal.

2. The insolvency of the bank shall be established if:

- 1) at maturity, the bank is not able to satisfy the creditor's legitimate claims for payment of a debt or fulfillment of other obligations within ten working days;
- 2) the size of the bank's own (regulatory) capital is less than fifty percent of the minimum amount of the Bank's own capital established by the National Bank;
- 3) any of the capital adequacy ratios is less than twenty-five percent of the coefficient set by the National Bank;
- 4) the value of the bank's assets is lower than the value of its obligations as calculated by the National Bank.

3. Upon the bank default process and adjudication of bankruptcy of the bank, the following cannot be taken into account:

- 1) the possibility of payment or other repayment of debts in the future;
- 2) availability of a significant amount of financial reserves from the shareholders and/or potential investors of the bank that are not part of the bank's assets, the profitability of the bank in the past or its reputation;
- 3) additional facts and documents submitted by the bank, which were not known or which were absent from the National Bank at the time of bankruptcy.

4. Upon the bank default process, the bank's license shall be subject to withdrawal and the procedure for compulsory liquidation of the bank shall be initiated.

Article 172. Liquidation of a Branch of a Foreign Bank

1. Liquidation of a branch of a foreign bank shall be carried out in accordance with the procedure provided for the banks of the Kyrgyz Republic.

2. Upon termination of the activities of a branch of a foreign bank or the foreign bank itself in the country of its location, its funds and other assets cannot be transferred/alienated/seized/recovered otherwise than in accordance with the present Law.

3. Creditors of a branch of a foreign bank shall have the right to apply to a foreign bank with claims for payment of debts in case of liquidation of a foreign bank and insufficiency of assets required to satisfy claims.

4. In case of liquidation of a foreign bank having a branch in the territory of the Kyrgyz Republic, the law of the Kyrgyz Republic is the applicable law in relation to a branch of a foreign bank.

Article 173. Peculiarities of Liquidation of a Bank Having a Branch, Representative Office or Affiliated Company Abroad

In case of liquidation of a bank having a branch, representative office or affiliated company abroad, the rules of this section with the peculiarities stipulated by the international treaties of the Kyrgyz Republic shall apply.

Article 174. Voluntary Liquidation (Self-Liquidation) of a Bank

1. Voluntary liquidation of the bank shall be carried out on an extra-judicial basis by the decision of the general meeting of shareholders of the bank that has been taken not less than 2/3 of the total number of votes of the shareholders of the bank. Voluntary liquidation of the bank shall be carried out exclusively with the consent of the National Bank.
 2. After the decision of the general meeting of shareholders on the voluntary liquidation of the bank, the bank shall be obliged to make all settlements with all the depositors of the bank or to transfer the rights and obligations arising from the bank deposit agreements to another bank, and then apply to the National Bank for withdrawal of the license and commencement of the bank voluntary liquidation procedure.
 3. The bank's application for withdrawal of the license and commencement of the voluntary liquidation procedure shall be accompanied by:
 - 1) the decision of the general meeting of shareholders on the voluntary liquidation of the bank;
 - 2) information on full settlement with all depositors of the bank or on transfer of rights and obligations arising from bank deposit agreements to another bank;
 - 3) the candidature of the liquidator that meets the requirements established by the National Bank;
 - 4) the financial statements of the bank for the last reporting date confirmed by an audit report;
 - 5) voluntary liquidation plan;
 - 6) other necessary information, the list of which shall be determined by the National Bank.
 4. The National Bank shall review the bank's application and take one of the following decisions within one month:
 - 1) on withdrawal of the license, the beginning of voluntary liquidation of the bank and the appointment of the liquidator. In the event that the National Bank does not satisfy the liquidator nominee proposed by the bank, the National Bank shall have the right to appoint another liquidator;
 - 2) refusal to satisfy the petition of the bank submitted with violations of the requirements of this article, or if the plan of voluntary liquidation of the bank is unacceptable according to the assessment of the National Bank;
 - 3) on withdrawal of the license and initiating the forced liquidation of the bank in the event that the value of the bank's assets is lower than the value of its liabilities according to the National Bank.
 5. After the decision of the National Bank to withdraw the license and start the voluntary liquidation of the bank, the decision of the bank's general meeting of shareholders on the voluntary liquidation of the bank cannot be withdrawn or canceled.
 6. With the withdrawal of the license by the National Bank and beginning of the voluntary liquidation of the bank, all the powers of the general meeting of shareholders shall be transferred to the bank's liquidator, with the exception of approval of the final report of the liquidator and the liquidation balance sheet of the bank.
- Article 175. Bank Forcible Liquidation**
1. The National Bank shall turn to the court with a request to initiate the bank forcible liquidation procedure within five working days after withdrawal of the license for the right to conduct banking activities in accordance with the procedure established by the present Law. Before the court appoints the liquidator, the National Bank shall appoint the Provisional Administration to the bank in order to ensure the safety of the bank's assets and protect the interests of depositors. In the event that the Provisional Administration had been functioning in the bank at the time of withdrawal of the license, it shall retain its authorities until the court appoints the liquidator.
 2. The liquidator shall carry out the bank forcible liquidation procedure in accordance with the present Law.

3. It shall be prohibited to introduce the Provisional Administration, apply measures for financial recovery and restructuring, carry out a reorganization, and enter into an amicable agreement in the course of the bank forcible liquidation.

4. The bank subjected to the forcible liquidation procedure shall bear responsibility for its obligations to the extent of all its assets and property.

Chapter 29. Bank Liquidator

Article 176. Liquidator Status

1. The National Bank shall establish qualification and other requirements for selection of candidates to perform the functions of the bank liquidator.

The liquidator shall have the powers of all management bodies of the bank and is the sole legal representative of the bank as a legal entity, unless otherwise provided for by the present Law. The liquidator shall act on behalf of the bank without a power of attorney indicating the bank forcible liquidation procedure in all outgoing documents and reports.

2. The primary task of the liquidator is to recover, sell the bank's assets and subsequently distribute the funds among creditors in accordance with the present Law.

3. The bank shall bear liabilities arising from the transactions concluded by the liquidator in accordance with the powers granted to it by the present Law, except for the cases when the liquidator's liability shall occur in accordance with the civil legislation.

4. The court shall replace the liquidator if it establishes that the liquidator does not perform its functions properly, or if the liquidator is not entitled or unable to perform his duties. The National Bank shall present to the court a person appointed by the court as replacement of the liquidator.

The National Bank shall have the right to replace the liquidator if the bank is voluntarily liquidated at the request of the general meeting of shareholders of the bank or on its own initiative.

The newly appointed liquidator shall become the liquidator in the established order.

5. The amount of the liquidator's remuneration shall be set by the court at the suggestion of the National Bank commensurate with the complexity of the bank being liquidated, however it cannot exceed the salary of the chairman of the board of the bank being liquidated for the last year prior to introduction of the Provisional Administration or revocation of the license or the amount of the remuneration of the Provisional Administrator acting in the bank on the date of decision made on liquidation of the bank. The liquidator establishes the remuneration of the attracted employees in the amount not exceeding the official salaries of the relevant bank employees, which were valid until introduction of the Provisional Administration or revocation of the license.

6. Three percent of the proceeds from the sale of assets and aimed at satisfying the claims of creditors (with the exception of amounts received from the sale of readily obtainable assets that are not burdened with obligations and collateral) shall be sent to the saving fund by the liquidator. Until the court approves the final report of the liquidator, the National Bank shall be entitled to recommend the court to make a decision on payment of remuneration to the liquidator following the liquidation procedure at the expense of the saving fund, as well as to the employees by the liquidator's decision in accordance with the agreements concluded. In the absence of the recommendation of the National Bank, payment of remuneration at the expense of the accumulation fund shall be prohibited, and the funds of the saving fund shall be directed to satisfy the creditors' claims.

7. Remuneration is charged to the costs of the bank forcible liquidation procedure (administrative expenses).

(As amended by the Laws of the Kyrgyz Republic of December 10, 2018 # 100)

Article 177. Powers of the Liquidator

1. The liquidator shall be obliged to act in good faith and in the best interests of the creditors in the course of the bank liquidation procedure.

2. In order to fulfill his tasks and functions, the liquidator shall:

- 1) supervise the bank, conduct an inventory of assets, accounts and documents, take measures to ensure the safety of the bank's assets from the moment of his appointment;
 - 2) dispose property, perform any lawful actions with all the assets of the bank for the optimal satisfaction of creditors' claims, take measures to recover debts to the bank, as well as measures aimed at finding, identifying and recovering the property and assets of the bank;
 - 3) check the validity of claims of creditors and reject them in a whole or in part in case of unreasonable requirements;
 - 4) make payments to creditors in compliance with the rules and procedures established by the present Law;
 - 5) have the right to refuse any obligations of the bank, including transactions that do not bring profit or lead to formation of liabilities (not meeting the requirements of creditors or parties to transactions that will become creditors of the bank during the liquidation procedure in respect of losses caused by the refusal to perform legally valid liabilities or obligations);
 - 6) provide the authorized body on protection of deposits with the information on guaranteed deposits of individuals within the period established by the law on the protection of bank deposits;
 - 7) have the right to turn to the court with a claim to recognize transactions that the bank has committed during the last three years preceding the beginning of the liquidation, if the said transactions have signs of invalidity of transactions specified in the present Law and the legislation of the Kyrgyz Republic;
 - 8) have the right to turn to the court with a claim to bring the shareholders, members of the Board of Directors, the Bank Management to liability in accordance with the legislation of the Kyrgyz Republic;
 - 9) cooperate with the National Bank and other authorized state bodies for the purposes of this section;
 - 10) provide the National Bank with the accounting and statistical reports and other reports of the bank under liquidation in the order and amount established by the National Bank;
 - 11) perform other functions arising from the present Law on implementation of the bank liquidation procedure.
3. When filing a lawsuit in court in the interests of the bank in respect of which the liquidation procedure is being initiated, the liquidator shall be exempted from paying the state fee in all courts as a plaintiff and defendant in all cases.

(As amended by the Laws of the Kyrgyz Republic of December 10, 2018 # 100)

Article 178. Reports of the Liquidator

1. The liquidator shall submit preliminary, current and final reports to the court, the National Bank, as well as to the general meeting of shareholders (upon voluntary liquidation).
2. The preliminary report shall be submitted by the liquidator not later than thirty calendar days from the date of the bank liquidation procedure.
3. The current report on the progress of liquidation shall be submitted by the liquidator on a quarterly basis.
4. The final report shall be submitted by the liquidator in accordance with the present Law.
5. The National Bank shall determine the requirements for the structure and content of the liquidator's reports.

Chapter 30. Bank Liquidation Procedure

Article 179. Consequences of Beginning of Bank Liquidation Procedure

1. From the beginning of the bank liquidation procedure in any form:

1) powers of the general meeting of shareholders shall be terminated (with the exception of certain powers in case of voluntary liquidation of the bank established by the present Law), the Board of Directors and the Management Board, as well as the Provisional Administration, which are immediately transferred to the liquidator in accordance with the established procedure;

2) the actions taken by the bank or on behalf of the bank shall have no legal effect, except for the actions taken by the National Bank or liquidator appointed to the bank, or by another authorized person on their behalf;

3) the maturity of all debt obligations of the bank shall be considered to have occurred, if they did not occur earlier;

4) all claims of a property nature, including mandatory payments, can be presented to the bank only within the liquidation procedure;

5) accrual of penalty (forfeit, charge) and interest on all debt obligations of the bank shall be terminated, the accrued amount at the beginning of the liquidation procedure shall be payable in accordance with the present Law;

6) information on the financial condition of the bank shall cease to be classified as confidential information or a commercial secret, with the exception of the information constituting bank secrecy;

7) transactions related to alienation of the bank's property, payment of debts, repayment of obligations or entailing the transfer of its property for use by third parties shall be allowed only as part of the liquidation procedure;

8) any legal proceedings against the bank shall be terminated by the proceeding, including those aimed at compulsory execution of the bank's obligations, as well as arrests imposed on the bank's assets and other restrictions on disposal of its assets. Imposition of new arrests or other restrictions on disposal of the bank's property shall not be allowed;

9) any judicial acts (decision, determination, resolution, writ of execution, order) aimed at the seizure and recovery of the bank's assets, including bank accounts or other property, shall be subject to execution only within the liquidation procedure of the bank;

10) other compulsory procedures may not be instituted against the bank and its assets;

11) there are other consequences provided for by the present Law and the banking legislation of the Kyrgyz Republic for the bank being liquidated.

2. The liquidator shall be obliged to publish a message about his appointment in the republican mass media at the place of the main activity of the bank within five calendar days from the date of his appointment. The publication shall be made twice with an interval of seven working days.

3. These publications should contain the following information:

1) the official name and other details of the bank being liquidated;

2) the grounds and the date of beginning of the liquidation procedure;

3) information about the liquidator;

4) information on beginning of the presentation of claims by the creditors of the bank under liquidation;

5) the address of the bank for the creditors to present their claims to the bank under liquidation;

6) the deadline for the receipt of claims;

7) other information.

Article 180. Term of Liquidation

1. The term of the bank liquidation cannot exceed twenty-four months. If necessary, this period may be extended by the court upon the petition of the liquidator with the written consent of the National Bank.
2. Extension of the term of liquidation shall not be allowed without consideration and approval of the liquidator's report for the previous term by the court.

Article 181. Liquidation Plan

1. The liquidator, in consultation with the National Bank, shall prepare a plan for liquidation of the bank within thirty calendar days from the date of adoption by the court of a decision on commencement of the procedure of compulsory liquidation. The National Bank shall be obliged to consider this plan in accordance with the procedure of coordination not later than ten working days from the date of its receipt.
2. The liquidator shall forward the plan agreed with the National Bank to the court for approval. The court shall approve this plan within five working days from the date of its submission. After approval by the court, the liquidation plan shall be provided to the National Bank and the bank's creditors, whose requirements are included in the list of approved requirements.
3. The liquidation plan shall be updated every six months.
4. The liquidation plan shall include:
 - 1) the current balance sheet reflecting the bank's assets and liabilities at their estimated liquidation value, and an approximate balance sheet of the bank's expected assets and liabilities after three months; the accepted, approved and protested claims of creditors are indicated as liabilities in these balance sheets;
 - 2) quarterly reports on the past and projected income and expenses of the bank;
 - 3) a report on the work done on the sale and plans for the sale of the bank's capital assets or groups of assets;
 - 4) a report on judicial and extrajudicial actions aimed at satisfying the bank's requirements, including judicial actions to annul fraudulent agreements and transfers, as well as the rights arising from such agreements and transfers;
 - 5) a report on the illegal actions of bank officials and actions aimed at obtaining compensation in favor of the bank;
 - 6) a report on the continuation or termination of current contracts, such as insurance contracts, labor agreements, services contracts and bank services, including a detailed analysis of the financial security of bank employees;
 - 7) a report on the bank's liabilities and a schedule of anticipated payments to the bank's creditors within the next six months;
 - 8) a report on the past and future costs and expenses for liquidation.

Article 182. Special Account of the Bank under Liquidation

1. The liquidator shall open a special account of the bank under liquidation in another bank to accumulate the funds of the bank under liquidation. Such an account can be opened in national and/or foreign currency.
2. All accounts of the bank under liquidation shall be subject to closing, the remaining funds in these accounts shall be transferred to the special account of the bank under liquidation.
3. The funds placed on a special account of the bank under liquidation may be sent only to repay the claims of the bank's creditors and the administrative expenses of the liquidator.
4. The seizure, suspension of operations and levy of execution upon the funds held in a special account of the bank under liquidation shall be prohibited.

5. In the event of liquidation of a bank in which a special bank account of the bank under liquidation is placed, the funds held in a special account are not included in the liquidation estate and shall be subject to immediate transfer at the instruction of the liquidator to another special account opened with another bank.

6. The liquidator shall submit a report on the amount and purpose of the use of funds that are placed in the special account of the bank under liquidation to the court and the National Bank quarterly.

Article 183. Expenses for liquidation procedures (liquidator's administrative expenses)

1. Expenses for liquidation procedures (administrative expenses of the liquidator) include:

1) expenses for publishing notices and announcements of the liquidator;

2) expenses for search, recovery, evaluation and sale of bank assets;

3) expenses for preservation of the bank's assets;

4) remuneration to the liquidator and remuneration to the attracted employees;

5) resources of accumulative fund;

6) expenses for payment of services necessary for continued operation, and mandatory payments to the budget (electricity, water supply, communications, security, transport, taxes, duties, fees, charges and others).

2. If the bank has no liquid funds to cover administrative expenses during the bank liquidation procedure, such expenses can be implemented at the expense of the National Bank's own funds upon a reasoned appeal of the bank's liquidator.

3. The National Bank provides funds to cover administrative expenses on the basis of an agreement concluded with a bank liquidator.

4. The funds provision procedure and the types of administrative expenses to be implemented from the National Bank's own funds shall be determined by the National Bank.

5. The National Bank shall transfer the funds for liquidation procedure to a special account opened by the liquidator, in accordance with Section 182 of this Law.

6. The funds extended by the National Bank to the bank's liquidator to implement administrative expenses shall not be included in the liquidation estate; they shall relate to the liquidator's administrative expenses in accordance with Section 188 of this Law and shall also be redeemed by the liquidator irrespective of the creditors' claims repayment procedure established by this Law.

(As amended by the Laws of the Kyrgyz Republic of December 10, 2018 # 100)

Article 184. Acceptance and Registration of Creditors' Claims

1. Claims of creditors shall be presented to the liquidator in writing within sixty calendar days from the date of publication of notification of the bank liquidation procedure in the republican mass media, with the exception of cases provided for in this article.

2. The court may extend this term only once for all creditors for thirty calendar days. The liquidator shall publish the information on the extension of the period for accepting the claims of creditors.

3. The creditor shall be obliged to indicate information that allows identifying the creditor, as well as its bank details along with the essence of claims when presenting claims (if any).

4. The claims of creditors shall be accepted together with documentary evidence of the grounds for such claims.

5. The claims of creditors reflected in the bank's accounting and reporting documents shall be accepted by the liquidator in the form in which they are reflected in the documents without additional evidence, with the exception of claims to a greater or lesser amount than the amount reflected by the bank.

6. The liquidator shall accept the claims of depositors only in part exceeding the amount of compensation for the deposit (guaranteed deposit) in accordance with the law on the protection of bank deposits.

7. The claims of creditors, the amount of which is not determined, may be accepted at the value determined by an independent appraiser.

8. After consideration of claims, the liquidator shall include the claims accepted by him into the list of accepted claims, and the claims rejected by him into the list of rejected claims indicating the reasons for rejection. The claims that have been rejected in part shall be entered in both lists, respectively, in the accepted and rejected parts. In both lists, for each creditor, the name and address, the amount of the claim, the availability of collateral and other necessary information for identification of the creditor and payment of debts shall be indicated.

9. Both lists shall be approved by the liquidator not later than forty-five calendar days after the deadline for accepting claims, which the liquidator shall publish at least three times with an interval of fifteen calendar days on approval of the lists of creditors' claims in the republican mass media. Copies of the lists shall be submitted to the National Bank.

10. The creditor shall have the right to familiarize himself with the size of his claim to the bank under liquidation indicated in the lists of claims, and the priority of his satisfaction.

Creditors have the right to demand information from the liquidator about the financial status of the bank under liquidation and the progress of the liquidation process.

11. Creditors shall have the right to appeal the decision of the liquidator regarding their claims to the court not later than thirty calendar days from the date of publication of the last notice of the liquidator.

12. The lists of claims of creditors approved by the liquidator are final, if they have not been appealed in a court within the prescribed period.

13. The liquidator does not make any payments against the rejected claims.

Article 185. Satisfaction of Creditors' Claims Schedule

1. The approved creditors' claims should be categorized according to the order of their payment and should be entered in the satisfaction of creditors' claims schedule.

2. The liquidator shall approve the satisfaction of creditors' claims schedule, whose claims are approved by the liquidator provided that payments in accordance with the list do not violate the rules and priority of satisfaction of the creditors' claims.

3. The amounts included in the satisfaction of creditors' claims schedule that cannot be paid due to the inability to identify creditors and contact them shall be deposited in the liquidator's special account. In the event that these amounts remain unclaimed by the time the liquidation is completed, they are placed on the deposit of the state notary at the location of the bank under liquidation.

4. The liquidator shall publish a notice of the beginning of payments to satisfy the creditors' claims in the republican mass media, which shall invite the said creditors to apply for drawdown of funds.

Article 186. Rules for Satisfaction of Creditors' Claims

The liquidator shall distribute the funds received from the sale of the bank's assets based on the rules established by this article with account of other requirements of the present Law:

1) before repayment of the debt to the creditors of each subsequent order, the claims of all creditors of the previous order should be satisfied in full;

2) when the creditors of one order are satisfied, all the creditors of this order are equal to each other and have equal rights to payments proportional to the debt owed;

- 3) if some property is subject to several valid pledges, the priority between such secured creditors is determined in accordance with the requirements of the legislation of the Kyrgyz Republic;
- 4) in the event that the sale of assets is not possible, the assets may be transferred directly to creditors of one order with their consent and with the consent of the court on account full repayment of debts;
- 5) the claims of secured creditors are satisfied in an extraordinary order.

Article 187. Claims of Secured Creditors

1. From the beginning of the bank liquidation procedure, all assets of the bank that are in the mortgage of the pledge holders shall be subject to immediate transfer at the disposal of the liquidator.
2. The pledged property as part of the property of the bank under liquidation shall be accounted for separately and shall be subject to mandatory assessment.
3. Claims of the secured creditors shall be satisfied at the expense of the value of the pledged property. If the proceeds from the sale of collateral are insufficient to pay the amount of the claim in full, the unsatisfied part of the claim shall be considered as an unsecured claim and shall be subject to satisfaction in the order of priority established by the present Law.
4. Three percent of the proceeds from the disposal of pledged property shall be directed to cover the administrative expenses of the liquidator.

Article 188. Liquidation Estate

1. All assets of the bank (property and non-property rights) that are available at the time of the liquidation procedure and the property discovered during this procedure shall constitute the liquidation estate, with the exception of the property specified in subsection (2) of this article.
2. The following shall not be included in the liquidation estate:
 - 1) property being the subject of pledge;
 - 2) property of clients placed in the cash deposit locker;
 - 3) cash and securities of the bank's clients accounted for separately from the funds of the bank acting as a broker or depository;
 - 4) non-transferable property rights provided for by the legislation of the Kyrgyz Republic;
 - 5) costs for bank liquidation procedures (administrative expenses);
 - 6) other property that shall not be subject to inclusion in the liquidation estate in accordance with the legislation of the Kyrgyz Republic.

Article 189. The Priority of Creditors' Claims

1. The creditors' claims should be satisfied in the following order:
 - 1) claims for liabilities arising as a result of causing harm to the life or health of bank employees to whom the bank is liable under the law, including by capitalizing the relevant time payments;
 - 2) requirements of bank employees on wages and severance pay in accordance with the labor legislation of the Kyrgyz Republic;
 - 3) the requirements of depositors on the deposits subject to protection under the law on the protection of bank deposits. These requirements shall be transferred to the authorized deposit protection authority by virtue of the law, which may also file claims for the amounts directed for restructuring purposes in accordance with the present Law;
 - 4) requirements of non-banking depositors not specified in clause 3 of this part;

5) claims of other creditors not related to the bank;

6) the requirements of the Government of the Kyrgyz Republic on amounts directed to recapitalize the system bank, with the exception of amounts contributed to the authorized capital;

7) requirements for compulsory payments to the budget and extra-budgetary funds;

8) claims of depositors and creditors related to the bank;

9) claims on subordinated debts. For the purposes of this article, subordinated debt is understood to be an unsecured liability that should not be repaid ahead of schedule at the request of creditors and the claims for which should be repaid in the last place after all claims have been satisfied by creditors and depositors in the event of bank liquidation, but before the settlements with the bank's shareholders.

2. A shareholder of a bank shall not be a creditor. The remaining liquidation estate shall be transferred to the shareholders of the bank after satisfying the requirements of all creditors.

Article 190. Contractual Relationships of the Liquidator

1. The liquidator shall have the right to terminate any current bank agreement on unilateral basis with the obligatory notification of counterparties thirty calendar days prior to the expected date of termination of the agreement. At the same time, the liquidator shall also notify the counterparties of the need to provide the liquidator with the claims of creditors in the manner prescribed by the present Law.

2. Execution of the agreements that have not been terminated by the liquidator in the manner provided for in par (1) of this section, and the agreements concluded by the liquidator himself, shall be carried out in accordance with the civil legislation for the purpose of the bank liquidation procedure.

3. Service providers (electricity, water, communications, security and others) shall not be entitled to terminate the services provision agreements with the bank on unilateral basis in connection with the beginning of the bank liquidation procedure.

Article 191. Finality of Settlements in Payment Systems and Securities Settlement Systems

1. This article shall establish that:

1) irrevocable orders for the transfer of funds and securities delivered by the bank to the payment system or to the securities settlement system recognized as such by the National Bank shall have legal force and binding on third parties in the event of beginning of the bank liquidation procedure;

2) if the bank shall deliver irrevocable orders for the transfer of funds or securities to the payment system or securities settlement system after beginning of the bank liquidation procedure, they shall be null and void and shall not be binding on third parties only if the liquidator shall prove that the operator of the system was aware of the beginning of the bank liquidation before the transfer orders became irrevocable.

2. Contracts and transactions concluded subject to the conditions precedent before the bank liquidation procedure cannot lead to cancellation of the results of clearing made through the payment system or securities settlement system recognized as such by the National Bank due to the beginning of the bank liquidation.

3. The system operator, the participant, the settlement intermediary and the clearing center shall take all necessary measures to prevent the transfer of money or securities to the payment system or to the securities settlement system from the moment they become aware of the beginning of the bank liquidation procedure.

4. For the purposes of this article:

1) the transfer order transferred to the payment system or securities settlement system shall become irrevocable at the time determined by the rules of this system;

2) "clearing" means conversion of claims and obligations arising from transfer orders that one or more participants in the settlement system present to or receive from one or more other participants in the system into one net claim or one net obligation leaving only one net claim or one net obligation.

Article 192. Asset Sale

1. The liquidator shall submit a list of the bank's assets (property), including information on the composition and characteristics of the property, the timing of its sale, the form and terms of public bidding, the form of submission of proposals on the price of the property, the initial price of its sale, the forms and terms of publication and placement of advertisements for the sale of assets to the court for approval in consultation with the National Bank within one month after the completion of the inventory and evaluation of the bank's assets.

2. After the court shall approve the list of assets (property) of the bank that are subject to sale, the liquidator shall proceed to their sale in the manner prescribed by the legislation of the Kyrgyz Republic with the features established by the present Law.

3. The assessment of the bank's assets shall be carried out in accordance with the procedure established by the legislation of the Kyrgyz Republic.

4. Realization of the bank's real property shall be carried out exclusively through an auction. If the auction is declared invalid, a repeated auction is mandatory. If the real estate shall not be sold at a repeated auction, the liquidator shall have the right to realize it in another way with the consent of the court.

5. In exceptional cases and subject to restrictions provided for by the legislation of the Kyrgyz Republic, the sale of assets may be effected through the direct sale only with the consent of the court.

6. The liquidator shall be obliged to sell the bank's assets without unreasonable delays at the market price in the best interests of the creditors. This liquidator's obligation may be subject to changes in cases where the assets are not amenable to sale, have a low price because of insufficient demand or the cost of alienation shall exceed the value of assets or cannot be sold at a market price for other reasons.

7. Realization of pledged assets shall be carried out in the manner prescribed by the legislation of the Kyrgyz Republic.

8. Creditors shall have the right to get acquainted with the information on evaluation and sale of bank assets.

Article 193. Prohibition of Reciprocal Payment and Closeout Netting

1. Set-off of mutual claims for credit debt and receivables (reciprocal payment), repayment of claims of creditors by concluding an agreement on compensation for release from obligation and on the novation of the obligation shall be prohibited during the liquidation procedure.

2. In the cases provided for by the legislation of the Kyrgyz Republic, liquidation netting shall be permitted.

Article 194. Final Report and Completion of Liquidation Procedure

1. After completion of all actions and fulfillment of the obligations provided for by the present Law, the liquidator shall turn to the court for approval of the final report, the liquidation balance sheet and completion of the bank's liquidation procedure. In case of voluntary liquidation of a bank, the liquidator shall receive a corresponding decision of the general meeting of the bank's shareholders before applying to the National Bank. The National Bank shall determine the structure and content of the final report. One original copy of the final report shall be sent to the National Bank. The court shall approve the final report of the liquidator only after it is approved by the National Bank.

2. The procedure for the forcible liquidation of a bank shall be deemed to be completed from the moment the court passes the ruling on approval of the final report and completion of the forcible liquidation procedure. The court's decision shall come into force immediately. The court shall send a copy of the court's decision on approval of the final report to the National Bank.

The procedure for the voluntary liquidation of a bank shall be deemed to be completed from the date, on which the National Bank shall take the decision on approval of the final report, the liquidation balance sheet and completion of the liquidation procedure.

3. After the bank is liquidate, its renewal shall not be allowed.

4. The liquidator shall close bank accounts, destroy seals and stamps of the bank in accordance with the established procedure, submit a court decision or National Bank (upon voluntary liquidation) to the authorized state body for making an entry on the exclusion of the bank from the state register of legal entities, and also send all the documents of the bank under liquidation for storage to the National Archive Fund of the Kyrgyz Republic and publish a report on completion of the bank liquidation procedure in the republican mass media within fifteen calendar days after the court decision (compulsory liquidation) or the National Bank (voluntary liquidation) shall come into force.

Chapter 31. Banks' Forcible Liquidation Proceedings

Article 195. Bank's Forcible Liquidation Proceedings

1. Cases of banks' forcible liquidation are the cases of special proceedings.
2. The cases of banks' forcible liquidation shall be reviewed by the court according to the rules provided for by the present Law.
3. Cases of banks' forcible liquidation shall not be subject to suspension by proceeding, postponement, transfer to arbitration court and termination by amicable agreement.

Article 196. Jurisdiction over the Subject Matter

Banks' forcible liquidation cases should be heard by the court where the bank has its registered office.

Article 197. Right to Trial

1. The National Bank shall have the right to appeal to a court with a request for instituting a procedure for bank's forcible liquidation.
2. A creditor, a shareholder of the bank, as well as other interested parties shall have the right to initiate the bank's forcible liquidation by applying to the National Bank.

The application submitted to the National Bank by the bank's creditor shall contain a specific requirement that the bank does not pay its financial obligations at the time of payment with documentary evidence. The National

Bank shall consider the application within ten working days. If the National Bank does not establish grounds for withdrawing a license, it shall send a motivated refusal to the creditor.

The procedure for the bank's forcible liquidation cannot be initiated by a court if the National Bank does not approve such statement.

Article 198. Persons Participating in a Case

1. The persons participating in a case are:
 - 1) The National Bank represented by the authorized representative;
 - 2) the bank represented by the head of the Provisional Administration;

3) creditors.

2. If necessary, the court may involve witnesses, experts and specialists, as well as interested persons in the process at the request of the parties.

3. The persons participating in a case shall enjoy procedural rights and bear the obligations provided for by the present Law and the Civil Procedure Code of the Kyrgyz Republic. At the same time, the National Bank shall have the rights and obligations under the Civil Procedure Code of the Kyrgyz Republic with respect to the plaintiff, and the bank - the defendant.

Article 199. Legal Statement of the National Bank on Initiation of the Bank's Forcible Liquidation Procedure

1. The legal statement of the National Bank on initiating the bank's forcible liquidation procedure shall indicate the following:

- 1) the name of the court the legal statement is submitted to;
- 2) the name of the respondent bank, its postal and legal address;
- 3) grounds for withdrawal of the license, provided for by the present Law;
- 4) other information for the correct resolution of the case;
- 5) list of attached documents.

2. The applicant shall send a copy of the statement to the respondent bank.

3. The following documents shall be attached to the statement:

- 1) financial statements of the bank certified by the National Bank;
- 2) a copy of the decision of the National Bank to withdraw the license;
- 3) other necessary documents confirming the validity of the license withdrawal.

Article 200. Acceptance of the Statement

1. The court shall be obliged to agree to hear the statement of the National Bank filed in compliance with the requirements provided for in this chapter.

2. The court shall make a decision on receipt of the statement not later than the next day from the day of filing the statement, which shall be immediately sent to the parties in the case.

3. The court shall indicate the assignment of the case for judicial examination in the court session, the time and place of its holding in the decision on receipt of the statement.

4. From the moment the court receives the statement of the National Bank, the execution of all judicial and other compulsory actions related to the payment of debts, the seizure of assets and the recovery of the bank's property shall not be allowed.

5. The decision on receipt of the statement for proceedings shall not be subject to appeal.

6. In the event that a court receives the statement for a proceeding, no counterclaims and/or independent claims of any persons on appeal or review of the decisions of the National Bank having entered into force in accordance with the present Law shall be subject to review.

Article 201. Return of the Statement

1. The court shall return the statement only in the following cases:

- 1) if the requirements for registration of the applications established by the present Law are not met;

- 2) if the applicant declined the application prior to making a decision on accepting the statement for proceedings.
2. The judge shall issue the ruling on the return of the statement within two days and send it to the persons participating in the case not later than the next day from the moment of its issue.
3. Return of the statement does not prevent from the secondary turn to the court after elimination of the violations committed.

Article 202. Length of the Period of the Examination of the Case On Merits

The decision on the results of the consideration of the statement of the National Bank to initiate the forcible liquidation procedure shall be made by the court within a period of not more than five calendar days from the date of passing a decision on initiation of proceedings in the case. In exceptional cases, this period may be extended by a reasoned ruling of the court, but not more than five calendar days.

Article 203. Ground for Initiation of a Procedure on Bank's Forcible Liquidation

The court shall initiate the proceedings on bank's forcible liquidation based on the decision of the National Bank concerning withdrawal of a license.

Article 204. Court Decision

1. The court in the case shall make a decision to initiate proceedings on bank's forcible liquidation, commencement of the procedure of forcible liquidation and appointment of a liquidator.
2. The decision of the court shall come into force immediately from the date of its issue.
3. The decision of the court may be appealed to a higher court within five days from the date of delivery.

Article 205. Court Ruling

1. The court in the case shall make the following rulings:
 - 1) on acceptance of the statement for proceedings and preparation of the case for hearing;
 - 2) on return of the application;
 - 3) on establishment of remuneration to the liquidator in accordance with the present Law;
 - 4) on determination of commission or prohibition of the actions to the liquidator within the framework of the procedure of forcible liquidation;
 - 5) on approval of the final report of the liquidator;
 - 6) other definitions for the purposes of the present Law.
2. In the course of proceedings on the case of the bank's forcible liquidation, the application of the National Bank shall not be left without consideration.

Article 206. Proceedings Before a Court of Appeal and Supervision

1. The decision of the court of the first instance may be appealed in the order of appeal or supervision. Revision of the decision of the court of the first instance in cassation proceedings shall not be allowed.

2. The decision of the appeals instance of the court on review of the appeal shall be made within 10 calendar days from the day of its receipt together with the case to the court.

3. The Court of Appeal shall take the following decisions:

1) on upholding the decision of the court of the first instance, and the complaint - without satisfaction;

2) revocation of the decision of the court of the first instance in full and making a new decision.

Revocation of the decision of the court of the first instance and the referral of the case for a new examination shall not be allowed. The decision of the appeals court shall come into force from the date, on which it has been made and may be appealed in the course of supervision within five days from the date of decision-making.

4. The decree of the supervisory instance of the court on processing of the supervisory appeal shall be made within a period not later than twenty calendar days from the date of its receipt along with the case to the Supreme Court of the Kyrgyz Republic.

5. The Supreme Court of the Kyrgyz Republic shall adopt the following resolutions:

1) on refusal to satisfy the supervisory appeal and leave decisions of the courts of the first and appeals instances in force;

2) on abolition of the decisions of the courts of the first and appeals instances and making of a new decision on the merits.

Revocation of the decisions of the courts a quo and the referral of the case for a new examination shall not be allowed. The decision of the Supreme Court of the Kyrgyz Republic shall come into force from the date, on which it has been taken and shall not be subject to appeal.

6. When admitting a supervisory appeal against the proceedings, the Supreme Court of the Kyrgyz Republic shall be entitled to issue a ruling on prohibiting the liquidator from committing any actions connected with the alienation of the assets of the debtor bank until the supervisory appeal is considered.

Article 207. Bank Forcible Liquidation Proceedings in the Application

Applications of the liquidator and the National Bank on violations of the requirements established by the present Law during the procedure of bank's forcible liquidation shall be considered by the court within the framework of the bank's forcible liquidation proceedings not later than within ten days from the date of receipt of such applications.

Article 208. Ruling of the Court on Completion of Bank Forcible Liquidation Proceedings

1. The court shall issue a ruling on completion of the bank's forcible liquidation proceedings in case the final report of the liquidator is approved.

2. If the final report of the liquidator is not approved by the court, the forcible liquidation of the bank cannot be considered completed.

3. The ruling of the court on completion of the forcible liquidation of the bank is the basis for excluding the bank from the state register as a legal entity.

Section IX. Concluding Provisions

Chapter 32. Concluding Provisions

Article 209. Responsibility for Violation of the Provisions of the Present Law

The National Bank, banks and their officials, state bodies and civil servants, as well as other individuals and legal entities, including non-residents, shall be liable for violating the provisions of the present Law in accordance with the legislation of the Kyrgyz Republic.

Article 210. Introduction of Amendments and Additions to the present Law

Introduction of amendments and additions to the present Law without official conclusion of the National Bank shall be prohibited.

President of the Kyrgyz Republic

A.Atambaev

Adopted by the Jogorku Kenesh of the Kyrgyz Republic

November 30, 2016