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The law of the Republic of Tajikistan On Microfinance Organizations

This law regulates the legal and organizational grounds for the activity of microfinance organizations in order to form and develop the market of microfinance services and entrepreneurship in the Republic of Tajikistan.

Chapter 1. General Provisions

Article 1. Basic Definitions

In the present law the following general terms are used:

Deposit – funds placed with a microcredit deposit organization by individuals and legal entities that may be withdrawn on demand or when such deposits are due, with or without interest accrued thereon;

Microcredit – funds provided by a microcredit deposit organization to its borrowers for a fixed period of time subject to repayment and payment of interest in an amount not to exceed the maximum microcredit size;

Micro-loans – funds or fungible things provided by a microlending organization to its borrowers for a fixed period of time subject to repayment and, if provided by the agreement, payment of interest, in an amount not to exceed the maximum microloan size;

Microfinance organization – a microcredit - deposit organization, a microlending organization and a microlending fund;

Microcredit - deposit organization – a commercial microfinance organization that takes deposits, extends micro-credits and conducts other operations as set forth in this law on the basis of a license issued by the National Bank of Tajikistan;

Microlending organization – a commercial microfinance organization licensed by the National Bank of Tajikistan and engaged in providing micro-loans and other services;

Microlending fund – a non-commercial microfinance organization operating with a certificate issued by the National Bank of Tajikistan and engaged in providing micro-loans and other services;

Affiliated persons – any individual or legal entity capable of exerting influence on individuals or legal entities realizing entrepreneur activity (except for state bodies, exercising control over activities of such entity within authorities delegated thereto).

Article 2. Legislation of the Republic of Tajikistan on Microfinance Organizations

The legislation of the Republic of Tajikistan on microfinance organizations is based on the Constitution of the Republic of Tajikistan and consists of this law, other normative acts of the Republic of Tajikistan as well as international legal acts recognized by the Republic of Tajikistan.

Article 3. Scope of this law

This law shall apply only to micro-finance organizations and shall not apply to banks and other financial organizations.

Provisions of this law shall not prevent individuals or legal entities from issuing loans (including microloans) pursuant to the Civil Code of the Republic of Tajikistan.

The law of the Republic of Tajikistan “On Banks and Banking Activities” and the normative acts of the National Bank of the Republic of Tajikistan pursuant thereto shall not apply to micro-finance organizations except the cases eventually provided by this law.

Article 4. Relations of Microfinance organizations with the State and the National Bank of Tajikistan

Microfinance organizations independently organize and conduct their activities within the jurisdiction provided by this law, the normative acts of the National Bank of Tajikistan adopted pursuant to this Law as well as other laws of the Republic of Tajikistan.

State bodies and their officials shall not interfere in microfinance organizations activities , carry out audits and inspections except as provided by other laws.

Microfinance organizations are not responsible for liabilities of the Republic of Tajikistan and the Tajik Republic is not responsible for liabilities of microfinance organizations, except for cases when parties voluntarily accept such liabilities.

Microfinance organizations are not responsible for liabilities of the National Bank of Tajikistan and the National Bank of Tajikistan is not responsible for liabilities of microfinance organizations.

Chapter II. Formation of Microfinance Organizations

Article 5. Formation of Microfinance Organizations

A microcredit - deposit organization and a microlending organization shall be formed as a closed type joint stock company or a limited liability company and a microlending fund as a social fund.

A microfinance organization can be founded by individuals and legal entities, residents and non-residents of the Republic of Tajikistan.\

The National Bank of Tajikistan sets out in its normative acts the maximum size of the microcredit and microloan .

The National Bank of the Republic of Tajikistan may issue normative acts to limit the maximum size of a share package that may be owned by founders of a microcredit deposit organization.

Article 6. Constitutive Documents of a Microfinance Organization

The constitutive documents of micro-finance organization are its founding agreement and its charter approved by the founders, or their charter in cases provided by law.

The constitutive documents of a microfinance organization shall set out kinds of activities, which in accordance with Article 20 can operate as microcredit deposit organization and in accordance with Article 36 of the present Law, microlending organization or microlending fund.

Changes, made to the constitutive documents of a microfinance organization must be registered in the manner established by the legislation of the Republic of Tajikistan.

Article 7. Name of a microfinance organization

A microfinance organization may use only the name (or the abbreviation) set forth in its constitutive documents.

The term of “microcredit - deposit organization” or the abbreviation “MDO” may be used in a firm’s name and for advertising purposes only by the microcredit deposit organizations holding a license under this law. The terms “microlending organization” or the abbreviation “MLO” and “Microlending fund” or “MLF” may be used in a firm’s name and for advertising purposes only by microlending organizations and microlending funds operating with a license or a certificate as provided by this law.

Microcredit deposit organization and microlending organization may not use the following words in any language in its name: “national”, “state”, “Republic of Tajikistan”, “Tajikistan”, “bank” or any other word in any other language that may deceive the public while describing its activity that would suggest that it has a permission of the National Bank of Tajikistan .

A microfinance organization must send a prior notification to the National Bank of Tajikistan on any change in its name or location. Following any such change the microfinance organization must publish that information in the mass media within three days.

Article 8. Executive Bodies of a Microfinance Organization

Executive bodies of a microfinance organization are:

- the General Assembly (except microlending fund);
- Executive bodies of the microfinance organization that consist of a single (individual) and a collective body.

The charter of a microfinance organization may provide for the establishment of the Board of Directors (Supervisory Board) and the Revision Commission.

Authorities of the above mentioned bodies of the microfinance organization as well as procedures for making decision or presenting it to the microfinance organization shall be specified by the constitutive documents of microfinance organization.

The Board of Directors of a microcredit - deposit organization and a microlending organization must have at least five members and the presidium of a microlending fund - at least three members.

Article 9. Branches of a microfinance organization

A branch of the microfinance organization is a special division of the microfinance organization, which is not a separate legal entity. A branch has its permanent location and acts on the basis of regulations approved by the founding microfinance organization.

The actions of a branch shall be considered as actions of the microfinance organization. All branches must be set forth in the charter of the MFO that shall bear full liability for the actions of each Branch.

The branch and the MFO shall have the same name but the branch may add words indicating its location and the fact that it is a branch.

No separate statutory capital requirements are applied to the branch as well as no additional capital requirements shall be applied to the microfinance organization opening a branch.

An MFO may open its branches anywhere in the territory of the Republic of Tajikistan by indicating the name and location and sending a notification to the National Bank of Tajikistan.

Article 10. Associations of microfinance organizations

Micro-finance organizations, in the manner established by law, may create associations (unions) to protect and represent common interests of their members, coordinate activities and satisfy informational and professional interests.

Association (societies, unions) may not engage in the activities permitted for microfinance organizations by Articles 20 and 35 of this law.

Micro-finance organizations shall be prohibited from using associations (societies, unions) for establishing interest rates or commission fees.

The extent the disclosure of information, which is considered to be confidential under Article 39 of this law or any other law of the Republic of Tajikistan for the associations (societies, unions) created under this Article shall be established by the legislation of the Republic of Tajikistan.

Article 11. Reorganization and liquidation of a microfinance organization

An MFO shall be reorganized or liquidated in the manner established by legislation of the Republic of Tajikistan. Voluntary reorganization and liquidation of a microcredit deposit organization shall be performed in the manner established for banks by the legislation of the Republic of Tajikistan.

Article 12. State registration of microfinance organizations

Microfinance organizations shall be subject to state registration in the manner established by the law of the Republic of Tajikistan “On State Registration of Legal Entities”.

Chapter III. Statutory capital and property of a microfinance organization

Article 13. Statutory capital of a microfinance organization

The statutory capital of a MDO shall consist of fully paid capital contributed by the founders. The monetary portion may be contributed in the national currency or a foreign currency. The share of capital contributed by founder of the MDO in foreign currency shall not be subject to the foreign currency quota applicable to banks.

The non-monetary portion of the statutory capital for a newly established MDO shall not exceed 20% of the minimum capital requirement and shall not include intangible assets. The non-monetary portion for any increases in the statutory capital shall not exceed that percentage specified in normative acts of the National Bank of Tajikistan.

Funds borrowed, pledged or allocated from the budget may not be used to form the statutory fund.

The National Bank of Tajikistan according to the legislation of the Republic of Tajikistan shall establish the minimum initial capital requirement for microcredit deposit organizations and microlending organizations and its part formed in a foreign currency. This provision shall not apply to microlending funds.

Article 14. Property of a Microfinance Organization

An MFO may acquire, own, use, lease, sell or otherwise alienate any of the following property, subject to the limitations set forth in this Law and in its constituent documents:

- movable and immovable property used only to carry out the MFO's business;
- property, including immovable and movable property referred to in clause 1 part 1 of this Article, acquired pursuant to the exercise of its rights under a mortgage, a pledge or other security agreement or by means of purchase, transfer or alienation in order to satisfy (partially or in full) previously issued microcredits and microloans of the MFO, provided that the MFO shall, in a period not to exceed five years of any such acquisition, dispose of the assets in return for cash or other permitted assets.

An MFO may invest in the following to the extent permitted by normative acts adopted by the National Bank of Tajikistan pursuant to this Law:

- investments to the share equity of organizations (including securities, stock and convertible debentures) located in or outside the Republic of Tajikistan;
- debt securities and other debt obligations of third parties.

The National Bank of Tajikistan shall establish the procedure for keeping records of MDO's property.

Article 15. Interest Rates on Microcredits and Microloans

Interest rates on microcredits, microloans and commission fees on transactions and services shall be established by the MFO pursuant to its agreement with the client.

An MFO may not unilaterally change interest rates on microloans or commission fees and terms of these agreements with clients, except as provided by its agreement with the client.

The National Bank of Tajikistan may adopt normative acts setting forth requirements to MFOs to submit information in a standard format on their interest rates and commission fees to allow clients and prospective clients to compare the cost of borrowing.

Article 16. Relations between Microfinance organization and clients

Relations between an MFO and a client shall be carried out on the basis of an agreement.

The agreement may include provisions regarding the interest rate on a microcredit and microloan, the cost of services and terms of their execution, including the terms of processing the payment documents and liability of the parties for infringement of the agreement as well as other important terms of an agreement.

Chapter IV. Licensing of microcredit deposit organizations and microlending organizations

Article 17. Procedures for issuing licenses to microcreditdeposit organization and microlending organization

Microcredit deposit organizations and microlending organizations shall operate on the basis of a license. The license to microcreditdeposit organizations and microlending organization shall be issued in the manner established by the legislation of the Republic of Tajikistan.

Founders of the MDO and MLO must pay 100% of the minimal statutory capital (its monetary portion) by the date of issuing the license onto the correspondent account at the National Bank of the Republic of Tajikistan. Information on the account shall be provided in a notice of the National Bank of the Republic of Tajikistan.

The license shall have unlimited validity and be effective anywhere in the territory of the Republic of Tajikistan.

The National Bank of the Republic of Tajikistan shall maintain a register of licensed microcreditdeposit organizations and microlending organizations and shall ensure accessibility of the public to this register. Information on microcredit deposit organizations and microlending organizations contained in the register shall be published annually in the official publication of the National Bank of Tajikistan. Changes and additions in the register shall be published in such publication within one month following the date of entry of any such change in the register.

Deposit and other operations under Article 20 of this law carried out without a license shall entail liability established by the legislation of the Republic of Tajikistan.

The National Bank of Tajikistan may request the appropriate court to liquidate the legal entity engaged in deposit taking or other operations specified in Article 20 of this law without a license of the National Bank of Tajikistan.

Article 18. Conditions for issuing a license

A license for the operations under Article 20 of this law shall be issued to an (appropriate) entity that meets the requirements set forth in this law.

Issuance of a license, denial to issue a license, its revocation shall be carried out according to the law of the Republic of Tajikistan “On Licensing of Individual Types of Activities” taking in consideration requirements set forth in this law.

In addition to the documents required by the law “On licensing of individual types of activities” for obtaining a license to conduct an activity set forth in Article 20 of this law, the applicant shall submit income declarations of founders - individuals approved by the tax authority and indicate on the source of funds contributed to the statutory capital.

Article 19. Grounds for denial, revocation and suspension of a license

The National Bank of the Republic of Tajikistan may deny issuing a license on the following grounds:

- noncompliance of the documents attached to the application with the requirements of this Law and normative acts of the National Bank of Tajikistan adopted pursuant thereto;
- failure of candidate for senior executive and other positions to satisfy “fit and proper” qualification requirements as set forth in this law;
- inadequate financial standing of the founder of a microcredit deposit organization and microlending organization or failure to fulfill their liabilities to the budget.

A license of the National Bank of Tajikistan issued to an MDO and an MLO may be revoked for any of the following reasons:

- violation of the laws and normative acts of the NBT adopted pursuant to this law;
- discovery of false or misleading information provided in the license application;
- failure by the MDO or the MLO to start operating within more than one year from the date of issuance of the license;
- systematic discovery by the National Bank of Tajikistan of false or incomplete information or reporting data to the National Bank of Tajikistan;
- carrying out by the MDO or MLO of any activity not permitted by this Law;
- a violation by the MDO or the MLO of this Law, other applicable legislation of the Tajik Republic or normative acts of the National Bank of Tajikistan if punitive measures authorized by the Law of the Republic of Tajikistan “on the National Bank of Tajikistan” were applied to the MDO several times within the preceding 12 months;
- failure of the MDO and MLO to perform its obligations to its depositors or creditors that is the basis for the application of punitive measures authorized by Article 48 of the Law of the Republic of Tajikistan “On the National Bank of Tajikistan”.

An notification concerning revocation of a license for carrying out microfinance activities shall be sent by the National Bank of Tajikistan within 3 days to the MDO and the MLO (that shall confirm the receipt of such notice) and shall be published in the official publication of the National Bank of Tajikistan within a week from the date of such decision.

Upon expiration of 30 days after the publication of such announcement the NBT must request the appropriate court to liquidate the MDO and MLO.

The National Bank of Tajikistan may suspend a license for the term of not more than 6 months until the violations that have become reasons for such suspension are eliminated.

Chapter V. Operations of microcreditdeposit organization

Article 20. Activities of microcredit deposit organization

A microcredit deposit organization may engage in any of the following activities if it has an appropriate license:

- to take deposits from individuals and legal entities;
- to extend microcredits (secured and unsecured);
- to carry out cash operations: receipt and acceptance, counting, changing, toexchange, packing and storage of bank notes and coins;
- to issue guarantees, provided that the maximum outstanding amount for any one client shall not exceed the size limitations applicable to microcredits;
- to issue and accept payment cards;
- to open and service accounts of individual and legal entities;
- to perform settlement operations according to the client's order.
- to perform accounting operations.

In addition to the activities set forth in point 1 of this Article, an MDO may engage in the following activities:

- to provide consultancy and information services to its clients and prospective clients;
- to engage in financial leasing, provided that the maximum amount involved in a lease to any one client (less the imputed interest) shall not exceed the size limitations applicable to microcredits.
- to borrow money (whether secured by its assets or otherwise);
- to acquire claims with respect to payment obligations of a third party;
- to sell property acquired pursuant to the terms of a pledge.

An MDO may borrow in the national currency or in foreign currency. An MDO may engage in the other activities listed in point 1 of the present Article in a foreign currency after one year of operations and provided that the MDO obtains a supplemental license from the National Bank of Tajikistan specifying the activities that may be conducted in foreign currency. Additional license is granted if MDO has appropriate experts and modern communication equipment as well as having no-loss operations and complying with the prudential norms specified in Article 25 of this law.

An MDO shall only be permitted to engage in the activities described in this Article and its license. An MDO may not, in any event, engage in any of the following activities: trade, production or insurance.

In respect to the security of funds attracted from the individuals to the microcredit deposit organizations the requirements set out in the Law of the Republic of Tajikistan "On security the deposits of individuals" are applied.

Microcredit deposit organizations may not issue securities.

Article 21. Senior executives of a microcredit deposit organization and qualification requirements

The chief of the executive body of an MDO are the chief executive officer and his deputies, the chief accountant and his deputies and chiefs of its branches.

"Fit and proper" qualification requirements to senior executives of an MDO shall be established by the National Bank of Tajikistan and shall be related only to education, working experience and absence of previous convictions for committing an acquisitive intended crime.

An MDO shall send a notice to the National Bank of Tajikistan on any change in its executive personnel within two days after the decision on any such change was made.

Article 22. Avoidance of Conflict of Interest

To avoid a conflict of interest no senior executive officer of an MDO shall:

- simultaneously be a member of the Board of directors, a senior executive or other employee of any other unaffiliated MDO operating in the Republic of Tajikistan;
- simultaneously hold a position as an official or employee of any organ of state authority, including any state authority organ on place;
- participate in the discussions and voting on issues in which such member has a personal interest.

Article 23. Shareholders and procedures for share transfer

Any individual or legal entity holding less than 5% of shares of an MDO that, as a result of acquisition of additional shares of the MDO, owns 5% or more of the shares shall submit a written notification to the National Bank of Tajikistan within ten days following the date of such acquisition. Any individual or legal entity owning less than 5% of shares of an MDO who intends to enter into a shareholder agreement with one or more other shareholders of such MDO pursuant to which such shareholders will control 5% or more of shares of such MDO must also submit a written notification to the National Bank of Tajikistan at least ten days following the date of acquisition.

Any individual, legal entity or any group of individuals and legal entities acting in concert intending to enter into a transaction that would result in such individual, legal entity or group controlling more than 20% of shares of an MDO, shall submit a written application for approval to the National Bank of Tajikistan at least 30 days prior to the intended acquisition date.

The National Bank of Tajikistan shall notify the applicant in writing regarding its decision on the application submitted pursuant to point 2 of this Article, within 30 days from the date of receiving the application. If the National Bank of Tajikistan fails to inform the applicant regarding its decision within the specified period, the shares acquisition shall be deemed approved.

The National Bank of Tajikistan may refuse to grant an application submitted pursuant to point 2 of this Article only if:

- financial condition of the acquiring parties is not satisfactory;
- the acquisition of shares would result in a violation of the antimonopoly rules;
- the acquiring parties failed to provide in full the information required by the National Bank of Tajikistan or provided false or misleading information.

The National Bank of Tajikistan shall set forth the procedure for submission and consideration of the applications for the acquisition of shares of the MDO, including the requirements to the financial condition of the parties acquiring shares (applicants).

Chapter VI. Regulation and Supervision of Microcredit Deposit Organizations

Article 24. The National Bank of Tajikistan as the Supervisory and Regulating Body

In order to help assure the financial stability of MDOs, protect their depositors' interests and sustain stability of the monetary system of the Republic of Tajikistan, the National Bank of Tajikistan, within its jurisdiction, shall regulate and supervise the MDO activity by establishing normative and other requirements provided by the normative acts adopted pursuant to this Law.

Article 25. Prudential Norms of the National Bank of Tajikistan

Prudential norms set by the National Bank of Tajikistan requiring adherence by MDOs shall include the following:

- minimum statutory capital requirements;
- a requirement that the non-monetary portion of the initial statutory capital not exceed 20%;
- liquidity requirements;
- capital adequacy ratio;
- size of foreign exchange, interest and other risks;
- ratio of the MDO's capital to its equity investments in other legal entities;
- requirements to transactions with affiliated persons;
- maximum ratio of MDO's deposits to its capital;
- minimal size of total capital.

Article 26. Examination of MDO's activities

The National Bank of Tajikistan shall supervise the activities of MDOs based on both off-site examinations and on-site examinations. The procedures for both off-site and on-site of MDO examinations shall be set forth in normative acts adopted by the National Bank of Tajikistan pursuant to this Law.

Article 27. Information and documents

In order to perform its supervisory and regulating functions in accordance with this Law, the National Bank of Tajikistan shall have the right to request and obtain any information at the disposal of the MDO or any affiliated persons. The NBT may request and obtain in the manner established by laws of the Republic of Tajikistan any information about clients of the MDO and the source of their funds, that may be required to counteract legalization (laundering) of illegal revenues.

Confidential information obtained in the exercise of any power of the National Bank of Tajikistan under this Law shall not be disclosed or transferred to third parties except as otherwise provided by legislation of the Republic of Tajikistan.

Article 28. Funds of a microcredit deposit organization

An MDO shall create a reserve fund against losses in the manner established by normative acts adopted by the National Bank of Tajikistan.

An MDO may establish, maintain and account for capital reserves.

An MDO may create other funds not contrary to law.

Chapter VII. Accounting and reporting

Article 29. Accounting

The methodology and rules of accounting, lists, forms and terms of accounting reporting for MDOs as well as liability for infringements of them shall be established by the National Bank of Tajikistan.

All principles of accounting and charts of accounts of MDOs as well as their financial reports, shall be established by the National Bank of Tajikistan in accordance with the international standards of accounting.

Article 30. Submission and publication of reports

Each MDO shall submit the following to the National Bank of Tajikistan at the end of a financial year but no later than the date provided by the NBT:

- a financial report approved by the auditors;
- information on its activities and operations in the past year.

After approval by the auditors and confirmation at the annual general shareholders' meeting, each MDO shall publish its audited annual report, including its balance sheet and profit and loss statement, in accordance with the forms and by the date established by the National Bank of Tajikistan.

Chapter VIII. Certification of a microlending fund

Article 31. Procedure for issuing a certificate to a microlending fund

In order to conduct its operations an MLF must obtain a registration certificate from the National Bank of Tajikistan. A certificate shall be granted to a microlending fund in the manner established by this law.

Applications for a certificate shall be submitted in the state language and shall contain the address of the applicant. An application fee in the amount of two minimal wages shall be paid at the time of submitting the application.

Certificates issued by the National Bank of Tajikistan in accordance with the present law shall have unlimited term and be effective throughout the territory of the Republic of Tajikistan. In the event of a consolidation of two or more MLF, the certificates of the consolidated MLF shall be voided and the new organization shall apply for a certificate under this Law to the National Bank of Tajikistan.

The data on certified microlending funds are put by the in a special register. The National Bank shall maintain a separate register for microlending funds. The information on microlending fund contained in the registers shall be published once a year in the official publication of the National Bank of Tajikistan. Changes and additions to each register (including any revoked certificates) shall be published in such publication within one month from the date of entry of any such change.

Article 32. Documents submitted for obtaining a certificate

To receive a certificate required to operate as a microlending fund, the applicant must submit the following documents to the National Bank of Tajikistan:

- an application for a certificate, completed in compliance with the form prescribed by the National Bank of Tajikistan;
- its charter (original or a notarized copy);
- a notarized copy of its state registration certificate;
- a notarized or otherwise legalized document confirming the authority of the applicant to submit the application on behalf of the founders;
- evidence of the legal source of own capital and funds borrowed from the founders to counteract legalization (laundering) of illegal revenues.

Article 33. Terms for issuing a certificate

The National Bank of Tajikistan must issue a certificate or deny an application for a certificate within one month after receiving the application and all required documents listed in Article 32 of this Law.

If the documents received by the National Bank of Tajikistan do not comply with requirements of this law, the calculation of the period of consideration for application and required documents shall start from the date of receipt of satisfactory documents.

Article 34. Grounds for Refusal to Issue or Revoke of Certificate

The National Bank of Tajikistan may refuse to issue a certificate or may revoke the certificate for the following reasons:

- noncompliance of the documents attached to the application with the requirements of this Law;
- provision of false information in the documents attached to the application;
- failure to meet the requirements set forth in this Law.

The National Bank of Tajikistan must provide the applicant with written notice setting forth the grounds on which it has refused to issue a certificate.

Chapter IX. Operations of microlending organizations and microlending funds

Article 35. Permitted activities to a microlending organization and a microlending fund

MLOs and MLFs may engage, directly or indirectly, only in the following activities on the basis of a certificate issued under this Law:

- making microloans (secured and unsecured);
- carrying out financial leasing transactions, provided that the amount involved in a lease (less the imputed interest) for one client shall not exceed the size limitations applicable to microloans;
- providing consulting and informational services to its clients.

An MLO and an MLF may engage in other activities not otherwise contrary to the laws of the Republic of Tajikistan and as are necessary and proper the carry out the activities identified in part 1 of this Article including:

- borrowing money (whether secured by its assets or otherwise) from legal entities operating outside of the Republic of Tajikistan;
- borrowing money (whether secured by its assets or otherwise) from organizations licensed by the National Bank of Tajikistan;
- acquiring claims with respect to payment obligations of a third party;
- selling property acquired pursuant to the terms of a pledge.

Borrowings made in accordance with clause 1, part 2 of the present Article shall not constitute deposit-taking and shall not require a National Bank of Tajikistan's license.

Article 36. Provision of microloans

Within the limits established by this law, a microlending organization and a microlending fund may issue microloans in accordance with the internal lending policy.

Microloans of a microlending organization and a microlending foundation may be both secured and unsecured.

Article 37. Accounting and reporting

The methodology and rules of accounting for MLOs and MLFs, and the responsibility for its violation, as well as principles of accounting are established by the National Bank of Tajikistan.

Each MLO and MLF shall provide its annual report, including its balance sheet and profit and loss statement, with the National Bank of Tajikistan.

Chapter X. Closing provisions

Article 38. Audit of a microfinance organization

An MFO shall, through its internal service (audit commission), carry out an internal audit in accordance with the legislation of the Republic of Tajikistan.

An MDO and MLO shall be subject to an annual audit by external auditors appointed by the organization and licensed by the National Bank of Tajikistan for that type of audit. An MLF may, when necessary, have its activity audited on an annual basis by external auditors.

An annual external audit of an MFO shall involve the following:

- a verification of the availability of the capital and financial condition of the MFO;
- a review of reports and the records of transactions to ensure that they are timely, complete and accurate;
- an examination of the conformity of executed transactions with the requirements of the laws of the Republic of Tajikistan and normative acts of the National Bank of Tajikistan;
- an examination of the conformity of executed transactions with the general forms of their execution, and conformity of the manner of execution of transactions with the internal rules of the microfinance organization.

The external auditor shall explain the results of the audit and conclusions in a report to the MFO. The report shall contain information on the reliability of the MFO's financial reports. The report to the MDO shall include information related to compliance with requirements of the National Bank of Tajikistan, the internal control procedures and other provisions determined by the MDO constituent documents and normative acts of the National Bank of Tajikistan.

Article 39. Confidentiality

A microfinance organization, its founders, shareholders, members of the board of directors, executive officers, employees and agents shall be prohibited from disclosing to third parties or

from wrongfully using any confidential information to which they had access due to the performance of their duties.

The prohibition against disclosure of information shall include:

- not allowing the use of information received from any client for the benefit of the microfinance organization or any other person, except with the permission or upon the instruction of the client;
- not disclosing available information to third parties, except as otherwise provided in the legislation of the Republic of Tajikistan.

Exceptions to the duty of secrecy include cases provided in Article 11 of this law and other exceptions provided in the legislation of the Republic of Tajikistan.

Provisions on banking secrecy as set forth in the Law of the Republic of Tajikistan “On banks and banking activity” related to the secrecy of clients accounts, transactions on such accounts and information about account owners shall also apply to MDOs and MLOs.

Article 40. Settlement of disputes

Any action or inaction of the National Bank of Tajikistan in the area of microfinance may be appealed by MFO or individual and legal entity to the Economic Court.

Disputes between MFOs and their clients (individuals and legal entities) shall be settled in the manner established by the legislation of the Republic of Tajikistan.

Article 41. Responsibility for violating this Law

Individuals and legal entities that have violated provisions of this law shall bear liability according to the legislation of the Republic of Tajikistan.

Article 42. Procedure of enacting this Law

Existing MFOs shall bring their activity into compliance with the requirements of this law within 6 months after its validation.

This law shall come into force effect after the official publication.

President of the Republic of Tajikistan

E. Rakhmonov