

## **Tajikistan Law on Microfinance Organizations**

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

### **Chapter 1. General Provisions**

#### **Article 1. Basic Definitions**

The terms used in this law have the meanings set forth below:

Deposit – funds placed with a micro-finance deposit organization by individuals and legal entities that may be withdrawn on demand or when such deposits are due, with or without interest accrued thereon;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

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 foundation – 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;

Affiliate – any individual or legal entity capable of exerting influence on individuals or legal entities engaged in business (except for foundations 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 credit 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 as expressly stated in 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.

Public administration bodies and their officials are prohibited from interfering in activities of microfinance organizations, carrying 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, except for cases when parties voluntarily accept such liabilities.

## **Chapter II. Founding Microfinance Organizations**

#### Article 5. Founding Microfinance Organizations

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

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 the maximum limit of the possible credit and loans given through normative acts.

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 microfinance 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 as well as their charter in cases provided by law.

The charter of a microfinance organization must provide that the microcredit - deposit organization may engage only in the activities set forth in Article 20, and the microlending organization and the microlending foundation in those set forth in Article {36} of this law.

Any change in the charter of a microcredit 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 charter.

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 foundation" or "MLF" may be used in a firm's name and for advertising purposes only by microlending organizations and microlending foundations operating with a license or a certificate as provided by this law.

In any description of its activity that would suggest that it has a permission of the National Bank of Tajikistan for such activity, the microfinance 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.

A microfinance organization must send a prior notice 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 foundation);  
executive bodies of the microfinance organization that consist of one (individual) member and a collective body.

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

Authorities of the microfinance organization as well as procedures for making decisions or presenting {them?} {to?} the microfinance organization shall be specified in its charter.

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 foundation - 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, but 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 shall be applied to the branch as well as to the microcredit organization and 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 {anywhere in the territory of the Republic of Tajikistan} and sending a notice 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 microcredit - deposit organizations and microlending 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 to which the information considered confidential under Article 39 of this law or any other law of the Republic of Tajikistan may be disclosed to 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 law of the Republic of Tajikistan. Voluntary registration 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 micro-finance 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 MOF 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 MFO 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 MFO 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 of an MFO.

The National Bank of Tajikistan shall establish the minimum initial capital requirement for microcredit organizations and microlending organizations {in/and} its share paid in a foreign currency. This provision shall not apply to {microfinance} foundations.

#### Article 14. Property of a Microfinance Organization

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

1. movable and immovable property used only to carry out the MFO's business; and
2. 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 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.
3. 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:
4. equity investments (including securities, stock and convertible debentures) in companies located in or outside the Republic of Tajikistan;
5. debt securities and other debt obligations of third parties.

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

#### Article 15. Interest Rates on 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 or a 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 microfinance organizations**

#### Article 17. Procedures for issuing licenses to microcredit - deposit organization and microlending organization

Microcredit deposit organizations and microlending organizations shall carry out their operations on the basis of a license. The license to microcredit - deposit 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 microcredit - deposit organizations and microlending organizations and shall ensure its accessibility to the public. 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 valid 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 valid 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, granting a license and its cancellation shall be carried out according to the law of the Republic of Tajikistan “On Licensing of Individual Types of Activities” and other 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 founding individuals approved by the tax authority and inform on the source of funds contributed to the statutory capital.

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

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

1. non-compliance of the application documents with the requirements of this Law and normative acts of the National Bank of Tajikistan adopted pursuant thereto;
2. failure of any senior executive to satisfy “fit and proper” qualification requirements as set forth in this law;
3. inadequate financial standing of any founder of a microcredit deposit 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 cancelled for any of the following reasons:

1. non-compliance with laws and normative acts of the NBT adopted pursuant to this law;
2. discovery of false or misleading information provided in the license application;
3. failure by the MDO or the MLO to commence business within one year from the date of issuance of the license;
4. systematic discovery by the National Bank of Tajikistan of false or incomplete information or reporting data to the National Bank of Tajikistan;
5. carrying out by the MDO or MLO of any activity not permitted by this Law;
6. 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;

7. failure of the MDO 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 announcement concerning cancellation 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.

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 microcredit - deposit organization**

### Article 20. Activities of micro-credit deposit organization

A micro-credit deposit organization may engage in any of the following activities provided it has an appropriate license from the NBT:

1. taking deposits from individuals and legal entities;
2. extending microcredits (secured and unsecured);
3. carrying out cash operations: receipt and acceptance, counting, changing, exchanging, packing and storage of bank notes and coins;
4. issuing guarantees, provided that the maximum outstanding amount for any one client shall not exceed the size limitations applicable to microcredits;
5. issuing and accepting payment cards;
6. opening and servicing accounts of individual and legal entities;
7. performing clearing and settlement operations.

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

1. Provide consultancy and information services to its clients and prospective clients;
2. 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.
3. borrowing money (whether secured by its assets or otherwise);

4. acquiring claims with respect to payment obligations of a third party;
5. selling 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 above 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. Issuance of such license shall be contingent upon the MDO having 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.

For guaranteeing deposits of the individuals, micro-credit deposit organization act according to the Law of Republic of Tajikistan "On guaranteeing the deposits of individual entities"

Micro-credit deposit organization may not issue any securities.

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

The senior executives of an MDO shall be the chief executive officer and his deputies, the chief financial officer 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:

1. 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;
2. simultaneously hold a position as an official or employee of any organ of state authority, including any organ of local self-administration; and
3. 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 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 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 the voting 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.

With respect to an application submitted pursuant to paragraph 2 of this Article, the National Bank of Tajikistan shall notify the applicant in writing regarding its decision 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 acquisition shall be deemed approved.

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

- a. financial condition of the acquiring parties is not satisfactory;
- b. the acquisition of shares would result in a violation of the antimonopoly rules;
- c. 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, including the requirements to the financial condition of the acquiring parties (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 MDOs by establishing prudential norms and other requirements 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:

1. minimum statutory capital requirements;
2. a requirement that the non-monetary portion of the initial statutory capital not exceed 20%;
3. liquidity requirements;
4. capital adequacy ratio;
5. size of foreign exchange, interest and other risks;
6. ratio of the MDO's capital to its equity investments in other legal entities;
7. requirements to transactions with affiliates;
8. maximum ratio of MDO's deposits to its capital;
9. 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 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 affiliate. The NBT may request and obtain in the manner established by law any information about clients of the MDO and the source of their funds, that may be required to counteract legalization (laundering) of illegal revenues.

Non-public 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 law of the Republic of Tajikistan.

#### Article 28. Funds of a microcredit - deposit organization

An MDO must 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 to the National Bank of Tajikistan at the end of a financial year but no later than the date established thereby:

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 foundation**

### Article 31. Procedure for issuing a certificate to a microlending foundation

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

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 hereunder 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 MLOs, the certificates of the consolidated MLOs shall be voided and the new organization shall apply for a certificate under this Law to the National Bank of Tajikistan.

The National Bank of Tajikistan shall maintain a special register of issued certificates. The National Bank shall maintain a separate register for microlending foundations. The information on microlending foundations 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 deletions of voided or withdrawn 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 of registration required to operate as a microlending foundation, the applicant must submit the following documents to the National Bank of Tajikistan:

1. an application for a certificate, completed in compliance with the form prescribed by the National Bank of Tajikistan;
2. its charter (original or a notarized copy);
3. a notarized copy of its state registration certificate;
4. a notarized or otherwise legalized document confirming the authority of the applicant to submit the application on behalf of the organization;
5. 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 of a microlending foundation for the following reasons:

1. non-compliance of the application documents with the requirements of this Law;
2. provision of false information in the application documents;
3. 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 foundations**

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

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

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

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

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

Borrowings made in accordance with clause (a) above 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 foundation 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 as well as liability for infringements of them shall be established by the National Bank of Tajikistan.

Each MLO and MLF shall file its audited 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 MCO 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 accounts audited on an annual basis by external auditors.

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

1. a verification of the capital and financial condition of the MFO;
2. a review of reports and the records of transactions to ensure that they are timely, complete and accurate;
3. an examination of the conformity of executed transactions with the requirements of the laws of the Republic of Tajikistan and applicable normative acts of the National Bank of Tajikistan;
4. 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 {microcredit deposit company}.

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 MFO shall include information related to compliance with requirements of the National Bank of Tajikistan, the internal control procedures and other provisions determined by the {MDC's} charter and normative acts of the National Bank of Tajikistan.

### Article 39. Confidentiality

A microfinance organization, its founders, shareholders (with respect to MDOs and MLOs), members of the board of directors, executive officers, employees and agents shall be prohibited from disclosing to third parties or from wrongfully using any non-public information to which they had access due to the performance of their duties.

The prohibition against disclosure of information shall include:



1. 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;
2. 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 any provided for 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 any individual or legal entity to the High Economic Court of the Republic of Tajikistan.

All 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 must 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. Rahmonov