

RESOLUTION
of the Senate of Oliy Majlis of the Republic of Uzbekistan

**on the Law of the Republic of Uzbekistan
«On Microcredit Organization»**

Having reviewed the Law of the Republic of Uzbekistan «On Microcredit Organizations» adopted on June 28, 2006 by the Legislative Chamber of Oliy Majlis of the Republic of Uzbekistan, in accordance with Article 84 of the Constitution of the Republic of Uzbekistan the Senate of Oliy Majlis of the Republic of Uzbekistan RESOLVED:

1. To approve the Law of the Republic of Uzbekistan «On Microcredit Organization».
2. This Resolution shall become effective from the date of adoption thereof.

Chairman of the Senate
of Oliy Majlis of the Republic of Uzbekistan

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RESOLUTION

**of the Legislative Chamber
of Oliy Majlis of the Republic of Uzbekistan**

**On the Law of the Republic of Uzbekistan
«On Microcredit Organizations»**

The Legislative Chamber of Oliy Majlis of the Republic of Uzbekistan RESOLVED:

1. To adopt the Law of the Republic of Uzbekistan «On Microcredit Organization».
2. To submit this Law to the Senate of Oliy Majlis of the Republic of Uzbekistan.
3. This Resolution shall become effective from the date of adoption thereof.

Speaker of the Legislative Chamber
of Oliy Majlis of the Republic of Uzbekistan

E. Khalilov

Tashkent City
June 28, 2006
Ref. # 324-1

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LAW
of the Republic of Uzbekistan

On Microcredit Organizations

Adopted by the Legislative Chamber on June 28, 2006

Article 1. Purpose of the Law

Purpose of this Law is to govern the relations the area of establishment and activity of microcredit organizations.

Article 2. Statutory Documents on Microcredit Organizations

Statutory documents on microcredit organization consist of this Law and other statutory documents.

Should international agreements of the Republic of Uzbekistan contain provisions other than those provided for in statutory documents of the Republic of Uzbekistan on microcredit organization, then provisions of international agreement shall be applied.

Article 3. Microcredit Organization

Legal entity engaged in carrying out activity of rendering services related to extension of microcredit, microloan, microleasing and other microfinance services as specifies herein shall be deemed microcredit organization.

Microcredit organization shall be entitled to open bank accounts on the territory of the Republic of Uzbekistan in the established order.

Microcredit organization shall not be entitled to engage directly inn production insurance, commercial and brokerage and other activities not specifies herein.

Article 4. Establishment of Microcredit Organizations

Microcredit organizations may be established by legal and (or) physical entities in ant legal and organizational form in accordance with statutory documents.

Microcredit organizations shall not be established by state bodies, political parties, trade unions and religious organizations.

Article 5. Constituent Documents of Microcredit Organization

Microcredit organization shall function based on its constituent documents.

In addition to information specified in statutory documents for legal entities of certain organizational and legal form, the constituent documents of microcredit organization shall contain the following information:

on activity related to extending microcredits, microloans, microleasing and rendering other microfinance services;

on structure and authority of management bodies;

on sources of formation of proceeds for extending microcredits, microloans, microleasing and rendering other microfinance services;

on the order of conducting audits at the microcredit organization.

Article 6. Authorized Fund of Microcredit Organization

Authorized Fund of microcredit organization shall be formed of financial proceeds as well as other property that shall not exceed twenty percent of the Authorized Fund of such organization.

No use of credit or pledged proceeds and other borrowed proceeds shall be allowed in the course of formation of the Authorized Fund of microcredit organization.

Minimum authorized fund of microcredit organization shall be formed of only financial proceeds prior to the date of application for license.

Article 7. Corporate Name and Seal of Microcredit Organization

The term «microcredit organization» shall be incorporated in the name of microcredit organization and such name shall not be similar to names of other microcredit organizations. Legal entity that fail to satisfy the requirements hereof shall not be entitled to use the term «microcredit organization» in its name.

Microcredit organization shall have the seal with its inscribed full corporate name and address in the official language. The seal may at the same time contain the corporate name in other language.

Microcredit organization shall be entitled to have its stamps, letterheads and emblem with its name inscribed thereon.

Article 8. State Registration of Microcredit Organizations

Microcredit organizations shall be subject to state registration in accordance with statutory documents.

Article 9. Licensing the Activity of Microcredit Organization

In cases specified in statutory documents microcredit organization shall carry out activity related to rendering microfinance service upon obtaining of respective license.

Decision of granting a license to microcredit organization or rejecting issuance of such license with appropriate justification shall be taken within thirty calendar days from the date of submission of application for license and documents required for obtaining of license.

Article 10. Documents to be Submitted for Obtaining of License

In order to obtain a license, the microcredit organization shall submit the following documents to the Central Bank of the Republic of Uzbekistan or its regional departments:

application for license;

constituent documents of microcredit organization;

notarized copy of the certificate of state registration of microcredit organization;

information on the structure of management bodies of microcredit organization;
bank documents certifying the formation of the authorized fund of microcredit organization.

Article 11. Rejection in Issuance of License

In cases when submitted documents are not in compliance with requirements specified in statutory documents and contain inaccurate or misstated information, the Central Bank of the Republic of Uzbekistan may reject issuance of a license to microcredit organization.

Decision on rejecting the issuance of a license shall be sent to the applicant in writing with specification of the reasons for rejection and possible deadline for the applicant to remedy such reasons and submit the documents for review.

Claims may be filed with courts with respect of decision on rejecting the issuance of a license in the order established by statutory documents.

Article 12. Suspension, Termination or Cancellation of License Validity

Decision on suspension of license validity shall be taken in the following cases:

violation of provisions hereof and other statutory documents, including license requirements and conditions by microcredit organization;

failure of microcredit organization to perform resolutions that impose the liability to remedy infringements detected in the activity of microcredit organization.

Decision on termination of license validity shall be taken in the following cases:

insolvency of microcredit organization;

chronic distortion of reporting information

delay in implementation of microlending activity by more than six months from the date of issuance of a license;

other cases provided for by law.

In case it is established that a license was issued based on false documents, then the former shall be canceled (annulled).

Article 13. Services Rendered by Microcredit Organization

Microcredit organization may render the following types of microfinance services;

extension of microcredits or microloans;

purchase and sale of debt obligations (factoring);

microleasing where microcredit organization acts as a lessor (financial leasing);

rendering other types of microfinance services in accordance with statutory documents, including extension of consumer loans.

Microcredit organization may render consulting and information services related to extension of microcredits, microloans, microleasing and rendering other microfinance services.

Microcredit organization shall not be entitled to issue notes and accept deposits from physical entities.

Article 14. Sources of Funding for Rendering Microfinance Services

Microcredit organization shall render microfinance services on account of the following resources:

own resources, including incomes generated;

proceeds extended by investors, including foreign investors under investment agreements;

bank credits and proceeds of special state funds;

grants and loan proceeds of international finance institutions, non-governmental nonprofit organizations including foreign non-governmental nonprofit organizations;

other sources not prohibited by statutory documents.

Article 15. Authority of the Central Bank of the Republic of Uzbekistan with Respect of Governing the Activity of Microcredit Organizations

In order to ensure stability of the financial system, protection of interests of borrowers and creditors, the Central Bank of the Republic of Uzbekistan shall govern the activity of microcredit organizations in accordance with the Law of the Republic of Uzbekistan «On the Central Bank of the Republic of Uzbekistan».

Central Bank of the Republic of Uzbekistan shall, in the order established by statutory documents:

determine the minimum amount of authorized fund of microcredit organizations as well as compulsory rules of performing financial and cash operations, maintaining accounting and reporting;

inspect the activity of microcredit organizations and issue compulsory instructions related to elimination of violations found in their activity;

establish qualification requirements to the director of executive body of microcredit organization;

restrict performance of certain operations by microcredit organizations by up to three months;

suspend, terminate the validity of a license of microcredit organization or terminate the license.

Article 16. Branches of Microcredit Organization

Microcredit organization shall be entitled to establish its branches in the order established by statutory documents.

Branch of microcredit organization shall carry out its activity based on a licenses issued for microcredit organization.

Article 17. Reorganization and Liquidation of Microcredit Organization

Reorganization and liquidation of activity of microcredit organizations shall be conducted in accordance with statutory documents.

Article 18. Settlement of Disputes

Disputes arising from rendering microfinance services shall be settled in the order established by statutory documents.

Article 19. Responsibility for Violation of Statutory Documents on Microcredit Organizations

Persons in charge of violation of statutory documents on microcredit organization shall be liable in the established order.

Article 20. Adjustment of Statutory Documents with this Law

Cabinet of Ministers of the Republic of Uzbekistan shall bring the government resolutions in accordance with this Law, and cause the state authorities to review and cancel their statutory documents that contradict hereto.

Article 21. Effectiveness of this Law

This Law shall become effective from the moment of official declaration thereof.

President of the Republic of Uzbekistan

I. Karimov

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SENATE OF THE OLIY MAJLIS

OF THE REPUBLIC OF UZBEKISTAN

COMMITTEE
for Budget and Economic Reform Issues

5, Mustakillik Square, Tashkent, 700078

_____, 200_____

Ref. No. _____

OPINION

of the Committee for Budget and Economic Reform Issues
of Senate of the Oliy Majlis of the Republic of Uzbekistan

**on the Law of the Republic of Uzbekistan
«On Microcredit Organizations»**

adopted at the Committee Session on _____, 2006

Draft Law of the Republic of Uzbekistan «On Microcredit Organizations» was submitted by the Cabinet of Ministers of the Republic of Uzbekistan to Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan on May 26, 2006.

Draft Law of the Republic of Uzbekistan «On Microcredit Organizations» was developed in accordance with Resolution #PP-24 dated March 10, 2005 of the President of the Republic of Uzbekistan “On the Program of Implementing the Goals and Objectives of Democratization and Renewal, Reforming and Modernization of Society” and Decree #UP-3618 dated June 14, 2005 of the President of the Republic of Uzbekistan “On Measures for Acceleration of Implementation of Priority Directions in the Area of Deepening the market Reforms and Further Liberalization of Economy”.

This Law adopted on June 28, 2006 by Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan was submitted to Senate of the Oliy Majlis of the Republic of Uzbekistan on July 5, 2006. The Law of the Republic of Uzbekistan “On Microcredit Organizations” consists of 21 articles.

The Law of the Republic of Uzbekistan “On Microcredit Organizations” is primarily aimed at governing the relations in the area of establishment and activity of microcredit organizations as well as providing the wide range of entrepreneurial subjects with opportunities to use the credit resources of credit organizations.

Concept of “microcredit organization” is explained in Article 3 of the Law of the Republic of Uzbekistan “On Microcredit Organizations”. Namely, legal entity engaged in rendering services related to extension of microcredit, microloan, microleasing and rendering other microfinance services is deemed as microcredit organization. Types of microfinance services rendered by microcredit organizations include extension of microcredits or microloans, purchase and sale of debt obligations (factoring); microleasing service with microcredit organization acting as the lessor

(financial leasing); rendering other microfinance services, including consumer lending in accordance with legislative documents. Microcredit organization may also render advisory and information services related to extension of microcredits, microloans and microleasing as well as rendering other microfinance services. At the same time, the Law stipulates that microcredit organization is not entitled to issue promissory notes, accept deposits from legal and physical entities as well as engaged in production, insurance, commercial and brokerage and other activities not stipulated by the Law of the Republic of Uzbekistan “On Microcredit Organizations”.

Article 4 “Establishment of Microcredit Organizations” provides for possibility establishment of microcredit organizations by legal and (or) physical entities in any organizational and legal form. Microcredit organizations are entitled to establish their branches that carry out activity under the general license issued to microcredit organization. At the same time, the Law prohibits establishment of microcredit organizations by state bodies, political parties, trade unions and religious organizations.

Article 5 provides for a list of information to be included in the constituent documents of a microcredit organization. It is stipulated that for legal entities with certain organizational and legal form, the constituent documents should information on activity related to extension of microcredits, microloans, microleasing and rendering other microfinance services; structure and authority of management bodies; sources of formation of proceeds for extension of microcredits, microloans, microleasing and rendering other microfinance services; order of conducting audits at microcredit organization, in addition to information specified in statutory documents.

Authorized fund of a microcredit organization is formed of financial proceeds as well as other property whose value shall not exceed twenty percent of organization’s authorized fund. However, at the same time, the Law prohibits use of credit proceeds, pledge (collateral) proceeds and other borrowed resources for formation of the authorized fund. Compulsory condition of formation of the authorized fund stipulates that prior to the date of application for license the minimum amount of authorized fund should be formed solely by financial proceeds.

The Law sets particular requirements to the microcredit organization’s corporate name and seal. For example, according to Article 7, the corporate name of microcredit organization should have the expression “microcredit organization” and such name should not be similar to those of other microcredit organizations. At the same time, those legal entities that do not meet the requirements set forth in the Law of the Republic of Uzbekistan “On Microcredit Organization” are not entitled to use the expression “microcredit organization” in their corporate names. Organization’s seal should also contain its full name and address in official language. At the same time, the seal may contain the corporate name in other language.

In cases provided by statutory documents, the microcredit organization may carry out microfinancing activities only upon obtaining of respective license. Decision on granting a license or rejecting issuance of such license with appropriate justification shall be taken by within thirty calendar days from the date of submission of application for license and documents required for obtaining of license to the Central Bank of the Republic of Uzbekistan or its regional department. In order to obtain a

license, the microcredit organization submits an application for license, constituent documents, notarized copy of certificate of state registration of, information on structure of management bodies, and bank documents confirming the formation of organization's authorized fund.

When submitted documents are not in compliance with requirements specified in statutory documents and contain inaccurate or misstated information, the issuance of a license may be rejected. Decision on rejecting the issuance of a license shall be sent to the applicant in writing with specification of the reasons for rejection and possible deadline for the applicant to remedy such reasons and submit the documents for review.

When microcredit organization violates the provisions of the Law of the Republic of Uzbekistan "On Microcredit Organizations" and other statutory documents, including requirements and conditions of license, and organization fails to perform the resolutions imposing thereon the obligation of eliminating the infringements detected in its activity, the license validity may be suspended. At the same time, insolvency of microcredit organization, regular distortion of reporting information, delay of microlending activity by more than six months from the date of issuance of a license, and other cases specified by law serve as grounds for termination of the license validity.

In case it is established that a license was issued based on false documents, then the former is canceled (annulled).

According to Article 14 of the Law, microcredit organization's own resources (including incomes generated), proceeds extended by investors (including by foreign investors under investment agreements), bank loans and proceeds of state special funds, grants and loans of international finance institutions and nongovernmental nonprofit organizations (including foreign nongovernmental nonprofit organizations), and other sources not prohibited by statutory documents are deemed as sources of resources for rendering microfinance services.

In order to ensure stability of the financial system, protection of interests of borrowers and creditors, the Central Bank of the Republic of Uzbekistan shall govern the activity of microcredit organizations in accordance with the Law of the Republic of Uzbekistan «On the Central Bank of the Republic of Uzbekistan». In this connection, the Law of the Republic of Uzbekistan "On Microfinance Organizations" includes the following to the authority of the central bank of the republic of Uzbekistan: determination of the minimum amount of authorized fund of microcredit organizations as well as compulsory rules of performing financial and cash operations, maintaining accounting and reporting; inspection of activity of microcredit organizations and issuance compulsory instructions related to elimination of violations found in their activity; establishment qualification requirements to the director of executive body of microcredit organization; restriction of performance of certain operations by microcredit organizations by up to three months.

For the purposes of initial review of the Law of the Republic of Uzbekistan "On Microfinancing" the Committee formed a working group consisting of representatives of the Cabinet of Ministers, Ministry of Justice, Ministry of Finance, State Committee

for Antimonopoly, Competition and Promotion of Entrepreneurship of the Republic of Uzbekistan, Central Bank of the Republic of Uzbekistan, Banking Association of Uzbekistan, Association of Credit Unions, Institute for Monitoring of legislative Acts Currently in Force under the President of the Republic of Uzbekistan, National Bank for Foreign Economic Activity of the Republic of Uzbekistan, State Joint-Stock Commercial Bank “Asaka”, Republican Joint-Stock Uzpromstroybank, Joint-Stock Commercial Galla Bank, Joint-Stock Commercial Pakhta Bank, Joint-Stock Commercial Ipoteka Bank, Banking and Finance Academy, Tashkent Finance Institute.

Norms of the Law of the Republic of Uzbekistan “On Microcredit Organizations” comply with the Constitution of the Republic of Uzbekistan, as well as rule of legislative technique.

Based on the aforesaid, and in accordance with part two of Article 23 of the Law of the Republic of Uzbekistan “On Senate of the Oliy Majlis of the Republic of Uzbekistan”, the Committee for Budget and Economic Reform Issues of Senate of the Oliy Majlis of the Republic of Uzbekistan

CONCLUDES:

To submit to the Council of Senate of the Oliy Majlis of the Republic of Uzbekistan the proposal on inclusion of the issue of approval of the Law of the Republic of Uzbekistan “On Microcredit Organizations” to the agenda of the seventh consolidated meeting of Senate of the Oliy Majlis of the Republic of Uzbekistan.

Chairman of the Committee

signature

B. Iminov