

**THE LAW**  
**OF THE REPUBLIC OF ABKHAZIA**

**On the National Bank of the Republic of Abkhazia (the Bank of Abkhazia)**

(as amended and supplemented on June 15, 2011. № 2942-c-IV)

**Chapter 1. General Provisions**

**Article 1**

The status, aims, tasks, functions and powers of the National Bank of the Republic of Abkhazia (the Bank of Abkhazia) are defined by the Constitution of the Republic of Abkhazia, this Law and other laws.

The Bank of Abkhazia is a legal entity, it has a stamp with its name and an image of the State Emblem of the Republic of Abkhazia on it.

The location of the Bank of Abkhazia – the city of Sukhum.

**Article 2**

The authorised capital and other property of the Bank of Abkhazia are the property of the Republic of Abkhazia. In accordance with the objectives and in the manner established by this Law, the Bank of Abkhazia shall exercise the powers of possession, use and disposal of the property of the Bank of Abkhazia, including gold reserves. Buildings registered on the balance of the Bank of Abkhazia are not subject to privatisation, unless otherwise provided by law.

The Bank of Abkhazia carries out its spending at the expense of its own revenues.

The Bank of Abkhazia is not registered with the tax authorities.

The state is not liable for obligations of the Bank Abkhazia and the Bank – for obligations of the state, unless they have undertaken such obligations or if otherwise provided by law.

**Article 3**

The main objectives of the activity of the Bank of Abkhazia are:

- to protect and ensure the stability of monetary circulation in the Republic of Abkhazia;
- to develop and strengthen the banking system of the Republic of Abkhazia;
- to ensure an efficient and uninterrupted functioning of the billing system.

The earning of profit is not an objective of the activity of the Bank of Abkhazia.

**Article 4**

The Bank of Abkhazia shall fulfill the following functions:

- 1) it shall elaborate and pursue within the limits of its powers a single state monetary policy in collaboration with the Government of the Republic of Abkhazia;
- 2) it shall be the issuer of cash money and the organiser of cash circulation;
- 3) it shall be the last-resort creditor for credit institutions and it shall organise a system to refinance them;
- 4) it shall set the rules for the execution of settlements in the Republic of Abkhazia;
- 5) it shall set the rules for the conduct of banking operations, accounting and reporting in the banking system of the Republic of Abkhazia;
- 6) it shall carry out the state registration of credit institutions, issue, suspend and revoke licenses of credit institutions;
- 7) it shall supervise and control the activities of credit institutions and banking groups;
- 8) it shall register the issue of securities by credit institutions in compliance with the law;
- 9) it shall conduct on its own behalf or on behalf of the Government of the Republic of Abkhazia all types of banking operations necessary for the fulfillment by the Bank of Abkhazia of its objectives;
- 10) it shall organise and implement foreign exchange regulations in accordance with the legislation of the Republic of Abkhazia;
- 11) it shall organise and implement measures to prevent legalisation (laundering) of criminal incomes and the financing of terrorism;
- 12) it shall define the procedure for effecting settlements with international organisations, foreign states, as well as with legal entities and individuals;
- 13) it shall establish and publish the official foreign currency exchange rates against the ruble;
- 14) it shall participate in the development of a balance of payments forecast of the Republic of Abkhazia and organise a compilation of the balance of payments of the Republic of Abkhazia;
- 15) it shall conduct analysis and forecast of the state of the economy of the Republic of Abkhazia, primarily in the monetary and monetary financial spheres, and publish relevant materials and statistical data;
- 16) it shall ensure the functioning of the deposit insurance system;
- 17) it shall establish and keep a register of credit history;
- 18) it shall manage efficiently the foreign exchange reserves;
- 19) it shall perform other functions in accordance with the law.

## **Article 5**

The Bank of Abkhazia is accountable to the President of the Republic of Abkhazia and the People's Assembly-Parliament of the Republic of Abkhazia.

The Chairman of the Bank of Abkhazia is appointed to the post and dismissed from office by the People's Assembly-Parliament of the Republic of Abkhazia on the proposal of the President of the Republic of Abkhazia.

The Bank of Abkhazia, within the powers granted to it by the Constitution of the Republic of Abkhazia and the law, is independent in its activity. The public and administrative authorities and local government shall have no right to interfere in the activity of the Bank of Abkhazia, which aims to implement its legally enshrined functions and powers, and they shall make no decisions that are contrary to this Law.

In the event of interference in its activities, the Bank of Abkhazia informs the President of the Republic of Abkhazia and the People's Assembly-Parliament of the Republic of Abkhazia.

## **Article 6**

The Bank of Abkhazia shall have the right to file an action in court in the manner specified by the legislation of the Republic of Abkhazia.

The Bank of Abkhazia shall have the right to seek protection of its interests in international courts, the courts of foreign states and arbitration courts.

## **Article 7**

The Bank of Abkhazia, on matters within its competence under this Law and other laws, issues normative acts in the form of directives, regulations and instructions, mandatory for public and administrative authorities and local government, all legal entities and individuals.

Normative acts of the Bank of Abkhazia may not be contrary to law and may not apply retroactively. In case they are contrary to the current legislation, they may be cancelled by the President of the Republic of Abkhazia and the People's Assembly-Parliament of the Republic of Abkhazia.

Normative acts of the Bank of Abkhazia come into force from the moment of their signing, unless otherwise stipulated in the normative act.

Normative acts of the Bank of Abkhazia, when necessary, are sent in full to all registered credit institutions by mail or other means.

Normative acts of the Bank of Abkhazia may be appealed against in the manner prescribed by law.

Draft laws, as well normative legal acts of executive authorities which are related to the performance of functions by the Bank of Abkhazia, shall be sent for approval to the Bank of Abkhazia.

## **Article 8**

The Bank of Abkhazia may not participate in the capital of credit institutions, with the exception of participating in the capital of the Sberbank of the Republic of Abkhazia or in other cases established by law.

## **Article 9**

The Bank of Abkhazia may participate in the capital and activities of international organisations which are engaged in the development of cooperation in the monetary, foreign exchange and banking spheres, including cooperation between the central banks of foreign states.

The relations of the Bank of Abkhazia with the credit institutions of foreign states are carried out in accordance with the international treaties of the Republic of Abkhazia, laws and interbank agreements.

## **Chapter 2. The Capital of the Bank of Abkhazia**

### **Article 10**

The authorised capital of the Bank of Abkhazia amounts to 370 500 000 (three hundred seventy million five hundred thousand) rubles.

### **Article 11**

The Bank of Abkhazia creates at the expense of its profits reserves and funds for various purposes in the amounts necessary for the performance of its functions.

The procedure for the formation and use of reserves and funds is determined by the Board of the Bank of Abkhazia.

## **Chapter 3. The Governing Board of the Bank of Abkhazia**

### **Article 12**

The highest body of the Bank of Abkhazia is the Governing Board – a collective body, which governs and manages the Bank of Abkhazia.

The Governing Board is comprised of the Chairman of the Bank of Abkhazia and six members of the Governing Board.

Members of the Governing Board work in the Bank of Abkhazia on a full-time basis.

### **Article 13**

The Bank of Abkhazia shall be headed by the Chairman appointed by the People's Assembly-Parliament of the Republic of Abkhazia for a term of five years by a majority vote of the total number of deputies.

A candidate for the post of the Chairman of the Bank of Abkhazia shall be proposed by the President of the Republic of Abkhazia not later than two months before the term of the incumbent Chairman of the Bank of Abkhazia expires.

Should the Chairman of the Bank of Abkhazia be dismissed before his term expires, the President of the Republic of Abkhazia shall propose a candidate for the post within a month of the day of the dismissal.

Should the candidate proposed for the appointment as Chairman of the Bank of Abkhazia be rejected, the President of the Republic of Abkhazia shall present the candidate for a second vote or propose a new candidate within a month. A single candidate may not be proposed more than twice.

The President of the Republic of Abkhazia shall appoint an Acting Chairman of the Bank of Abkhazia from among the members of the Governing Board for the term necessary for the People's Assembly-Parliament of the Republic of Abkhazia to appoint the Chairman of the Bank of Abkhazia.

The People's Assembly-Parliament of the Republic of Abkhazia shall be entitled to dismiss the Chairman of the Bank of Abkhazia on the proposal of the President of the Republic of Abkhazia.

The Chairman of the Bank of Abkhazia may be dismissed from office only in the event of:

- the expiration of the term of office;
- the impossibility of performing of the official duties, confirmed by the conclusion of the state medical commission;
- submitting a resignation letter;
- committing a criminal offense, established by a court verdict;
- violating the laws that regulate questions related to the activities of the Bank of Abkhazia.

#### **Article 14**

Members of the Governing Board shall be appointed for the term of five years by the People's Assembly-Parliament of the Republic of Abkhazia on the proposal of the President of the Republic of Abkhazia.

Candidates for the posts of the members of the Governing Board shall be proposed to the President of the Republic of Abkhazia by the Chairman of the Bank of Abkhazia.

Members of the Governing Board shall be dismissed:

- by the Chairman of the Bank of Abkhazia upon the expiry of the term indicated in this Article;
- by the People's Assembly-Parliament of the Republic of Abkhazia at the proposal of the President of the Republic of Abkhazia before the expiry of the term indicated in this Article.

The Chairman of the Bank of Abkhazia shall be entitled to raise before the President of the Republic of Abkhazia the issue of dismissal of the Governing Board member before the expiry of his term of office.

#### **Article 15**

Meetings of the Governing Board shall be chaired by the Chairman of the Bank of Abkhazia and in his absence, by his deputy from among the Board members.

The Governing Board shall adopt decisions by a majority vote of the Board members present at the meeting with a quorum of four people.

The minutes of the Board meeting shall be signed by the chairman of the meeting and one of the Board members. When the Governing Board adopts decisions relating to monetary policy, the opinions of those Board members who are in the minority shall be written down upon request in the minutes of the Board meeting.

## **Article 16**

The Governing Board shall meet at least once a month.

Board meetings shall be called by the Chairman of the Bank of Abkhazia or his deputy, or at the request of at least two Board members.

Board members shall be notified about a Board meeting in advance.

## **Article 17**

The Governing Board shall perform the following functions:

1) it shall elaborate and implement guidelines for a single state monetary policy in collaboration with the Government of the Republic of Abkhazia;

2) it shall approve the annual financial statements of the Bank of Abkhazia, examine the auditor's report on the annual financial statements of the Bank of Abkhazia and submit these documents to the People's Assembly-Parliament of the Republic of Abkhazia and the President of the Republic of Abkhazia;

3) it shall approve the annual report of the Bank of Abkhazia, prepare an analysis of the state of the economy of the Republic of Abkhazia and submit it to the People's Assembly-Parliament of the Republic of Abkhazia and the President of the Republic of Abkhazia;

4) it shall examine the expense budget of the Bank of Abkhazia by the deadline of November 30 of the preceding year and submit it to the President of the Republic of Abkhazia. The People's Assembly-Parliament of the Republic of Abkhazia shall approve the Bank of Abkhazia expense budget at the proposal of the President of the Republic of Abkhazia;

5) it shall establish the form and amount of compensation to be paid to the Chairman of the Bank of Abkhazia, Deputy Chairmen of the Bank of Abkhazia and other Bank of Abkhazia employees in accordance with the current legislation of the Republic of Abkhazia;

6) it shall establish the form, procedure, and terms and conditions for the refinancing of credit institutions and the prolongation of the loans granted;

7) it shall adopt decisions:

- on the creation and liquidation of the Bank of Abkhazia units and organisations;
- on compulsory standards for credit institutions in accordance with the Article 61 of this Law;
- on the amount of reserve requirements;

- on changes in the interest rates of the Bank of Abkhazia;
  - on the setting of limits on open market operations;
  - on participation in international organisations;
  - on the participation of the Bank of Abkhazia in the capital of organisations that support the activities of the Bank of Abkhazia and its units, divisions and employees;
  - on the purchase and sale of real estate necessary for the functioning of the Bank of Abkhazia and its units, divisions and employees;
  - on the use of direct quantitative restrictions;
  - on the issue and withdrawal of banknotes and coins from circulation, on the total amount of cash issue by agreement with the Government of the Republic of Abkhazia;
  - on the procedure of creating reserves by credit institutions;
- 8) it shall submit to the People's Assembly-Parliament of the Republic of Abkhazia proposals for changing the Authorised capital of the Bank of Abkhazia;
- 9) it shall approve the Governing Board's rules of procedure;
- 10) it shall appoint the chief auditor of the Bank of Abkhazia;
- 11) it shall approve the internal structure of the Bank of Abkhazia, provisions on the divisions of the Bank of Abkhazia and the procedure for appointing heads of the Bank of Abkhazia divisions;
- 12) it shall establish the conditions of access of foreign capital to the Abkhazian banking system in compliance with the laws of the Republic of Abkhazia;
- 13) it shall fulfill other functions assigned by this Law to the jurisdiction of the Governing Board;
- 14) it shall approve the list of positions of the employees of the Bank of Abkhazia;
- 15) it shall approve normative acts of the Bank of Abkhazia;
- 16) it shall make decisions on the issues of deposit insurance, in accordance with the Law of the Republic of Abkhazia "On the insurance of deposits by individuals in the banks of the Republic of Abkhazia".

## **Article 18**

Members of the Governing Board cannot be deputies to the People's Assembly-Parliament of the Republic of Abkhazia, deputies of local government, officials of the local government or members of the Government of the Republic of Abkhazia.

A member of the Governing Board shall relinquish his powers as a deputy, resign as an official of local government or the Government of the Republic of Abkhazia within one month after his appointment as a member of the Governing Board, after which the newly appointed Board member begins performing his duties.

Members of the Governing Board cannot be members of any political party or hold any position in a public, political or religious organisation.

Members of the Governing Board shall be subject to the restrictions established by Article 91 of this Law.

#### **Article 19**

The Chairman of the Bank of Abkhazia:

1) shall act on behalf of the Bank of Abkhazia and represent its interests without a power of attorney in relations with the bodies of state power and governing bodies, credit institutions, foreign state organisations, international organisations and other institutions and organisations;

2) shall chair the meetings of the Governing Board. Should the votes be equally divided, the Chairman of the Bank of Abkhazia shall have the deciding vote;

3) shall sign the normative acts of the Bank of Abkhazia, decisions of the Governing Board, minutes of the Governing Board's meetings, agreements concluded by the Bank of Abkhazia and shall have the right to delegate the right to sign normative acts of the Bank of Abkhazia to a member of the Governing Board acting on his behalf;

4) shall appoint and dismiss his deputies at the proposal of the President of the Republic of Abkhazia and assign duties to them;

5) shall have the right to delegate his powers to his deputies;

6) shall sign orders, directives and give instructions which are obligatory for all employees of the Bank of Abkhazia, its enterprises, institutions and organisations;

7) shall bear full responsibility for the activity of the Bank of Abkhazia;

8) shall ensure the implementation of other functions of the Bank of Abkhazia in accordance with the existing Law;

9) shall not combine his main activity with any other paid activity, with the exception of teaching, research and other creative activities. At the same time, teaching, research and other creative activities cannot be financed exclusively at the expense of foreign states, international and foreign organisations, foreign citizens and stateless persons.

### **Chapter 4. Relations of the Bank of Abkhazia with Public and Administrative Authorities and Local Government**

#### **Article 20**

To perform the functions assigned to it, the Bank of Abkhazia participates in the development of the economic policy of the Government of the Republic of Abkhazia. The Chairman of the Bank of Abkhazia or, according to his instructions, one of his deputies participates in the meetings of the Government of the Republic of Abkhazia, when considering bills related to the questions of economic, financial, credit and banking policy.



The Minister for Finance and the Minister for Economy of the Republic of Abkhazia or, according to their instructions, a deputy from each one of them participate in the meetings of the Board in an advisory capacity.

The Bank of Abkhazia and the Government of the Republic of Abkhazia inform each other about planned actions of national importance, coordinate their policies, hold regular consultations.

The Bank of Abkhazia cooperates with the Ministry of Finance of the Republic of Abkhazia on questions of the issuance of government securities of the Republic of Abkhazia and the repayment of government debt of Republic of Abkhazia, taking into account their impact on the state of the banking system and the priorities of a single state monetary policy.

## **Article 21**

In order to improve the monetary system of the Republic of Abkhazia, the National banking council is created at the Bank of Abkhazia, which consist of representatives of the President of the Republic of Abkhazia, People's Assembly-Parliament of the Republic of Abkhazia, Government of the Republic of Abkhazia, Bank of Abkhazia, credit institutions.

The Chairman of the Bank of Abkhazia is the Chairman of the National banking council. The National banking council includes one representative from the President of the Republic of Abkhazia and the People's Assembly-Parliament of the Republic of Abkhazia, it also includes the Minister for Finance of the Republic of Abkhazia and the Minister for Economy of the Republic of Abkhazia. Other members of the National banking council are appointed by the People's Assembly-Parliament of the Republic of Abkhazia on the proposal of the Chairman of the Bank of Abkhazia. The number of people in the National banking council does not exceed 9 people.

If necessary, the National banking council has the right to engage experts.

Meetings of the National banking council take place at least three times a year.

## **Article 22**

The National banking council performs the following functions:

- reviews the concept of improving the banking system of the Republic of Abkhazia;
- reviews draft guidelines for a single state monetary policy, the policy of currency regulation and currency control, makes conclusions concerning them and analyses the outcomes of their implementation;
- examines draft legislative and other normative acts in the sphere of banking;
- considers the most important questions of regulating the activity of credit institutions;
- participates in developing the main principles of the organisation of the settlement system in the Republic of Abkhazia.

## **Article 23**

The Bank of Abkhazia shall have no right to grant loans to the Government of the Republic of Abkhazia for the purpose of financing the state budget deficit of the Republic of Abkhazia, buy government securities at their initial offering, except when it is envisaged by the Law of the Republic of Abkhazia on the state budget of the Republic of Abkhazia.

The Bank of Abkhazia shall have no right to grant loans for the purpose of financing the budget deficits of the state non-budgetary funds of the Republic of Abkhazia.

#### **Article 24**

The funds of the republican budget and the state non-budgetary funds of the Republic of Abkhazia are stored at the Bank of Abkhazia, unless otherwise stipulated by the law.

The Bank of Abkhazia performs operations with the funds of the republican budget without charging commission, and also with the funds of local budgets and the state non-budgetary funds of the Republic of Abkhazia, as well as performing operations to service the government debt of the Republic of Abkhazia and operations with foreign exchange reserves of the Republic of Abkhazia.

The powers of the Bank of Abkhazia to service the government debt of the Republic of Abkhazia are determined by the laws.

When necessary, the Bank of Abkhazia and the Ministry of Finance of the Republic of Abkhazia enter into agreements on performing the abovementioned operations on behalf of the Government of the Republic of Abkhazia.

### **Chapter 5. Reporting of the Bank of Abkhazia**

#### **Article 25**

The reporting period of the Bank of Abkhazia is established from January 1 to December 31, inclusive.

The balance sheet structure is established by the Board of the Bank of Abkhazia.

#### **Article 26**

The Bank of Abkhazia, annually not later than April 15 following the reporting year, presents to the President of the Republic of Abkhazia and the People's Assembly-Parliament of the Republic of Abkhazia an annual report approved by the Board.

The annual report of the Bank of Abkhazia includes:

- a report about the activities of the Bank of Abkhazia, an analysis of the state of the economy of the Republic of Abkhazia, including a list of events held by the Bank of Abkhazia to implement a single state monetary policy;
- an analysis of monetary circulation and credit, the banking system, foreign exchange position and the balance of payments of the Republic of Abkhazia;
- annual financial statements of the Bank of Abkhazia;

– an auditor’s report on the annual report of the Bank of Abkhazia.

For the purpose of this Law of the Republic of Abkhazia, annual financial statements of the Bank of Abkhazia refer to:

- 1) the annual balance sheet, profit and loss account, including a report on the profits received and their distribution;
- 2) a report on the formation and use of reserves and funds of the Bank of Abkhazia;
- 3) an annual report on the Bank of Abkhazia’s management of securities and shares in the capitals of organisations which are part of the property of the Bank of Abkhazia;
- 4) a report on the maintenance costs of employees of the Bank of Abkhazia;
- 5) a report on the implementation of cost estimates;

The People’s Assembly-Parliament of the Republic of Abkhazia reviews the annual report of the Bank of Abkhazia before June 1 of the year following the reporting period.

After considering the annual report of the Bank of Abkhazia, the People’s Assembly-Parliament of the Republic of Abkhazia makes a decision.

The annual report is published not later than June 15 of the year following the reporting period.

The Bank of Abkhazia publishes its balance sheet on a quarterly basis, as well as data on monetary circulation, including the dynamics and structure of the money supply and summary data on the operations of the Bank of Abkhazia.

## **Article 27**

The profits of the Bank of Abkhazia, after being directed to reserves and funds in a manner established by the Board, are transferred to the budget of the Bank of Abkhazia.

The fiscal year profits shall not be transferred to the budget of the Republic of Abkhazia before the annual report is approved the Board of the Bank of Abkhazia.

The Bank of Abkhazia and its institutions shall be exempt from the payment of taxes, charges and duties on the territory of the Republic of Abkhazia.

## **Chapter 6. The Organisation of Cash Circulation**

### **Article 28**

The official currency unit (currency) of the Republic of Abkhazia is a ruble of the Russian Federation. One ruble equals to a 100 kopecks.

The cases, procedure and conditions of use of another foreign currency on the territory of the Republic of Abkhazia are determined by the legislation of the Republic of Abkhazia.

The introduction of other currency units on the territory of the Republic of Abkhazia and the issue of money substitutes is forbidden, unless otherwise stipulated by a relevant law.

#### **Article 29**

An official correlation between the currency unit of the Republic of Abkhazia and gold or other precious metals is not established.

#### **Article 30**

The issue of cash (banknotes and coins), the organisation of their circulation and withdrawal from circulation on the territory of the Republic of Abkhazia can only be carried out by the Bank of Abkhazia.

Counterfeiting and illegal production of banknotes and coins is punishable by law.

#### **Article 31**

Banknotes (bank notes) and coins of the Bank of Abkhazia are legal tender on the entire territory of the Republic of Abkhazia. Banknotes and coins must be accepted for their full face value in all kinds of payments, to be credited to the accounts, for deposits and transfer on the entire territory of the Republic of Abkhazia. They may not be declared invalid (without the status of legal tender), unless a sufficiently long period of their exchange for banknotes and the coin of a new sample has been established. Restrictions on the amounts or subjects of exchange are not allowed.

#### **Article 32**

The Bank of Abkhazia exchanges old and damaged coins in accordance with its rules.

#### **Article 33**

When introducing a currency unit of the Republic of Abkhazia on the territory of the Republic of Abkhazia, the Board of the Bank of Abkhazia has a right to make decisions on the release into circulation of new banknotes and coins and on the withdrawal of old ones, to approve denominations and samples of new banknotes.

Decisions on these questions are first coordinated with the President of the Republic of Abkhazia and the Government of the Republic of Abkhazia.

#### **Article 34**

For the purpose of organising cash circulation on the territory of the Republic of Abkhazia, the Bank of Abkhazia shall have the following functions:

- forecasting and organisation of production, transportation and storage of banknotes and coins, the creation of reserve funds;
- the establishment of rules of storage, transportation and collection of cash for credit institutions;
- the establishment of banknote solvency features and the procedure for the replacement of damaged banknotes and coins, and their destruction;
- defining the procedure for conducting cash transactions, including for credit institutions.

## **Chapter 7. Monetary Policy**

### **Article 35**

The main tools and methods of the monetary policy of the Bank of Abkhazia are:

- 1) interest rates on the operations of the Bank of Abkhazia;
- 2) reserve requirements deposited in the Bank of Abkhazia;
- 3) open market operations;
- 4) refinancing of credit institutions;
- 5) currency intervention;
- 6) setting targets for money supply growth;
- 7) direct quantitative restrictions.

### **Article 36**

The Bank of Abkhazia regulates the total amount of loans issued by it, in accordance with the accepted guidelines of a single state monetary policy.

### **Article 37**

The Bank of Abkhazia may establish one or more interest rates on various types of operations and conduct an interest rate policy without fixing an interest rate.

The interest rates of the Bank of Abkhazia are minimum rates by which the Bank of Abkhazia conducts its operations.

The Bank of Abkhazia uses an interest rate policy to influence market interest rates.

### **Article 38**

The percentage ratio of legal reserves to the obligations of credit institutions (the reserve requirement) and the procedure for depositing them in the Bank of Abkhazia is established by the Board.

The reserve requirement may not exceed 20 percent of the obligations of a credit institution and may differ for various credit institutions.

The reserve requirement may not be changed by more than five points at a time.

If the reserve requirement is violated, the Bank of Abkhazia has a right to write off without further authorisation the sum of unpaid funds from the corresponding account of a credit organisation in the Bank of Abkhazia, as well as a fine in the amount established by the Bank, though the fine should not exceed the double refinancing rate.

Penalties do not apply to required reserves deposited by a credit institution in the Bank of Abkhazia.

When a license to perform banking operations is revoked, funds deposited in the Bank of Abkhazia are used to pay a credit institution's obligations to depositors and creditors.

### **Article 39**

Open market operations refer to the purchase and sale of treasury bills by the Bank of Abkhazia, as well as government bonds and other government securities, and short-term securities transactions with a reserve transaction performed later.

The limit on open market operations is established the Board of the Bank of Abkhazia.

### **Article 40**

Refinancing refers to the granting of credits to credit institutions by the Bank of Abkhazia.

The form, procedure and terms of refinancing are established by the Bank of Abkhazia.

### **Article 41**

Currency intervention of the Bank of Abkhazia refers to the purchase and sale of foreign currency by the Bank of Abkhazia on the foreign exchange market for the purpose of influencing the official exchange rate and the total demand and supply of money.

### **Article 42**

The Bank of Abkhazia may establish growth targets of one or more money supply indicators, based on the guidelines of a single state monetary policy.

### **Article 43**

Direct quantitative restrictions of the Bank of Abkhazia refer to the setting of limits on the refinancing of credit institutions, the conduct of certain banking operations by credit institutions.

The Bank of Abkhazia has a right to use direct quantitative restrictions in exceptional cases for the purpose of implementing a single state monetary policy only after consultation with the Government of the Republic of Abkhazia.

#### **Article 44**

The Bank of Abkhazia annually, not later than September 1, presents to the President of the Republic of Abkhazia and the Government of the Republic of Abkhazia a draft of the main directions of a single state monetary policy for the upcoming year.

The President of the Republic of Abkhazia presents the draft of the main directions of a single state monetary policy for consideration by the People's Assembly-Parliament of the Republic of Abkhazia.

The main directions of a single state monetary policy for the upcoming year include the following provisions:

- an analysis of the state of the economy of the Republic of Abkhazia and the economic development forecast;
- the main guidelines, parameters and tools of a single state monetary policy.

The People's Assembly-Parliament of the Republic of Abkhazia, not later than December 1, considers the main directions of a single state monetary policy for the upcoming year and makes a decision.

### **Chapter 8. Banking Operations and Transactions of the Bank of Abkhazia**

#### **Article 45**

The Bank of Abkhazia has a right to perform the following banking operations and transactions with Abkhazian and foreign credit institutions and the Government of the Republic of Abkhazia:

- 1) to give loans against securities and other assets, unless otherwise provided by the Law of the Republic of Abkhazia on the State budget of the Republic of Abkhazia;
- 2) to buy and sell government securities in the open market;
- 3) to buy and sell bonds and certificates of deposit and other securities with maturities not exceeding one year;
- 4) to buy and sell foreign currency, as well as payment documents and liabilities in foreign currency, offered by Abkhazian and foreign credit institutions;
- 5) to buy, store and sell precious metals and other types of currency values;
- 6) to perform settlement, cash and deposit operations, to accept securities and other assets to be stored and managed;

7) to issue guarantees and bank guarantees;

8) to perform operations with financial tools used for managing financial risks;

9) to open accounts in Abkhazian and foreign credit institutions on the territory of the Republic of Abkhazia and the territories of foreign states;

10) to perform other banking operations and transactions on its own behalf, in accordance with the business practice accepted in the international banking practice.

The Bank of Abkhazia has a right to perform banking operations and transactions on commission basis, with the exception of cases envisaged by the legislation of the Republic of Abkhazia.

#### **Article 46**

Credit security of the Bank of Abkhazia can be provided by:

- gold and other precious metals in various forms;
- foreign currency;
- securities.

Lists of state securities suitable for credit security of the Bank of Abkhazia are determined by the Board.

In cases established by the Bank of Abkhazia, credit security can be provided by other values, as well as guarantees and bank guarantees.

#### **Article 47**

The Bank of Abkhazia may perform:

- banking service operations for public and administrative authorities, local government, their institutions and organisations, state non-budgetary funds, organisations partially or fully financed from the State budget of the Republic of Abkhazia, military units, servicemen, employees of the Bank of Abkhazia, and also other individuals in cases envisaged by the law;
- banking operations of lending to administrative authorities, local government, their institutions and organisations, organisations partially or fully financed from the State budget of the Republic of Abkhazia.

The Bank of Abkhazia also has a right to provide service to clients, which are not credit institutions, with the exception of individuals in regions, where there are no credit institutions.

#### **Article 48**

The Bank of Abkhazia has no right:



- 1) to perform banking operations with legal entities, who have no license to perform banking operations, and with individuals, with the exception of cases envisaged in Article 47 of this Law;
- 2) to acquire shares (stakes) in credit institutions and other organisations, with the exception of cases envisaged in Article 8 of this Law;
- 3) to perform operations with real estate, except when they are related to the maintenance of the activity of the Bank of Abkhazia, its institutions and organisations, and also to the maintenance of the activity of credit institutions;
- 4) to be engaged in trade and production activity, with the exception of cases envisaged by this Law;
- 5) to extend credit that was granted. An exception may be made only by decision of the Board of the Bank of Abkhazia.

#### **Article 49**

The Bank of Abkhazia bears responsibility in the manner established by the legislation of the Republic of Abkhazia.

In court and in the court of Arbitration, the interests of the Bank of Abkhazia may be represented by the Bank of Abkhazia officials, as well as other persons, who have received the appropriate power of attorney in the manner prescribed.

### **Chapter 9. International Foreign Trade Activities**

#### **Article 50**

The Bank of Abkhazia represents the interests of the Republic of Abkhazia in relations with the central banks of foreign states and also in international banks and other international monetary organisations.

The Bank of Abkhazia has a right to request the central bank and the banking supervisory authority of a foreign state to present the information and documents, which were received from credit institutions in the course of performing supervisory functions, and it also has a right to present to the banking supervisory authority of a foreign state the abovementioned information and documents, which do not contain information about the operations of credit institutions and their clients, on the condition that the banking supervisory authority ensures the information safety, in accordance with the demands of information safety established in the legislation of the Republic of Abkhazia and required to be fulfilled by the Bank of Abkhazia. With regards to the information and documents, which are received from central banks and the banking supervisory authorities of foreign states, the Bank of Abkhazia should comply with the requirements of information disclosure and the presentations of documents, in accordance with the legislation of the Republic of Abkhazia, and taking into account the requirements established by the legislations of foreign states.

#### **Article 51**

The Bank of Abkhazia shall issue permissions to establish credit institutions with foreign investment and subsidiaries of foreign banks, and it shall accredit representatives of credit institutions of foreign states on the territory of the Republic of Abkhazia in the manner established by the legislation of the Republic of Abkhazia.

Increasing the authorised capital of a credit institution at the expense of non-residents is regulated by the law.

#### **Article 52**

The Bank of Abkhazia establishes and publishes the official exchange rates in relation to the official currency of the Republic of Abkhazia.

#### **Article 53**

The Bank of Abkhazia is a body of currency regulation and currency control, and it performs this function in accordance with the legislation of the Republic of Abkhazia on currency regulation and currency control and with other laws.

#### **Article 54**

To perform its functions, the Bank of Abkhazia may open representative offices on the territories of foreign states.

### **Chapter 10. Bank Regulation, Supervision and Control**

#### **Article 55**

The Bank of Abkhazia is a body of bank regulation, supervision and control. The Bank of Abkhazia constantly supervises and controls the compliance of credit institutions and banking groups with the banking legislation, normative acts of the Bank of Abkhazia and the mandatory standards established by them.

The main goal of bank regulation, supervision and control is the upholding of stability of the banking system of the Republic of Abkhazia and the protection of interests of depositors and creditors. The Bank of Abkhazia does not interfere in the operational activities of credit institutions, with the exception of cases envisaged by the law.

Supervisory, control and regulatory functions of the Bank of Abkhazia, established by this Law, may be performed by the Bank of Abkhazia or through a body of banking supervision and control under the Bank of Abkhazia. The decision to create such a body is made by the Board.

The head of the body of banking supervision and control is appointed by the Chairman of the Bank of Abkhazia from among members of the Board.

#### **Article 56**

The Bank of Abkhazia establishes rules of conducting banking operations, which are mandatory for credit institutions and banking groups, as well as rules for accounting, preparation and presentation of accounting and statistical reports and the organisation of internal control, and other information envisaged by the law.

In order to perform its functions, the Bank of Abkhazia, in accordance with the list established by the Board of the Bank of Abkhazia, has a right to request and receive from credit institutions the required information about their activities and to seek clarification on the information received.

The Bank of Abkhazia has a right to establish for banking groups the manner in which they should present information about their activities, which is necessary for drawing up consolidated financial statements.

To prepare the banking and financial statistics and for the analysis of the economic situation, the Bank of Abkhazia has a right to request and receive the required information from the executive authorities.

The information on specific operations received from credit institutions shall not be disclosed without the consent of the credit institution in question, with the exception of cases envisaged by the law.

The Bank of Abkhazia prepares a summary of statistical and analytical data about the banking system of the Republic of Abkhazia.

The provisions of this article apply to the information collected and sent by the Bank of Abkhazia to international organisations, on behalf of the President of the Republic of Abkhazia.

#### **Article 57**

The Bank of Abkhazia has no right to demand from credit institutions the performance of non-core functions.

#### **Article 58**

The Bank of Abkhazia registers credit institutions in the State register of credit institutions, issues licences to credit institutions to perform banking operations, suspends the abovementioned licences and recalls them.

#### **Article 59**

The Bank of Abkhazia has a right to establish qualification requirements to the candidates for the posts of the members of the founders' council (the supervisory board), the sole executive body, and also for the posts of its deputy members, members of the collegial executive body, chief accountant, deputy chief accountant of a credit institution, and also to the candidates for the posts of the head, deputy head, chief accountant and deputy chief accountants of a branch of a credit institution.

#### **Article 60**

The acquisition and (or) reception in trust of more than 5 percent of shares (stakes) of a credit institution, as a result of performing one or more transactions by a single legal entity or individual, or by a group of legal entities and (or) individuals, who are connected by an agreement, or by a group of legal entities which are subsidiaries and are dependent on each other, requires the Bank of Abkhazia to be notified, and when more than 20 percent – the prior consent of the Bank of Abkhazia.

The Bank of Abkhazia, not later than 30 days after receiving an application for the acquisition of more than 20 percent of shares (stakes) of a credit institution, informs the applicant in writing about its decision – consent or refusal. The refusal must be motivated. In case the Bank of Abkhazia has not informed the applicant about its decision within the specified period, the acquisition (alienation) of shares (stakes) of a credit institution is considered resolved.

The Bank of Abkhazia, in the course of implementing its supervisory and control functions, has a right to request and receive information on the financial situation and business reputation of shareholders (participants) of a credit institution, in case they acquire more than 20 percent of shares (stakes) of a credit institution.

The Bank of Abkhazia has a right to refuse the acquisition (alienation) of more than 20 percent of shares (stakes) of a credit institution, if it is determined that the acquirers of shares (stakes) are in an unsatisfactory financial situation.

### **Article 61**

In order to ensure the stability of credit institutions, the Bank of Abkhazia may establish the following mandatory standards:

- 1) the minimum authorised capital for newly established credit institutions, the minimum amount of own funds (capital) for the operating credit institutions;
- 2) the limit of the non-cash portion of the authorised capital;
- 3) the maximum risk per borrower or a group of borrowers;
- 4) the maximum large credit risk;
- 5) the maximum risk per creditor (depositor);
- 6) liquidity ratios of a credit institution;
- 7) capital adequacy ratios;
- 8) the maximum amount of attracted money deposits from the population;
- 9) the amounts of foreign exchange, interest and other risks;
- 10) the minimum amount of reserves established for risks;
- 11) standards of use of own funds of banks for the acquisition of shares (stakes) of other legal entities;
- 12) the maximum amount of loans and bank guarantees granted by a credit institution to its shareholders (participants).

### **Article 62**

The minimum amount of own funds (capital) is a sum of authorised capital, funds of a credit institution and retained earnings.

The Bank of Abkhazia officially announces the change in the minimum amount of own funds (capital) not later than one year prior to the introduction of the change.

### **Article 63**

The maximum risk per borrower or a group of related borrowers, which are mutually dependent, or parent and subsidiary, is a percentage of own funds (capital) of a credit institution (banking group).

In determining the maximum risk, the entire amount of credits of a credit institution to a given borrower or a group of related borrowers is taken into account, as is the sum of banking guarantees granted by a credit organisation to a borrower or a group of related borrowers.

### **Article 64**

The maximum amount of large credit risks is a percentage ratio between the total amount of large risks and own funds of a credit institution.

A large credit risk is a sum of credits, guarantees and bank guarantees in favour of one client, which exceeds 5 percent of the own funds (capital) of a credit institution (banking group).

The maximum amount of large credit risks may not exceed 500 percent of the amount of own funds (capital) of a credit institution (banking group).

The Bank of Abkhazia has a right to introduce a register of large credit risks of a credit institution.

### **Article 65**

The maximum amount of risk per one creditor (depositor) of a credit institution is a percentage ratio between the value of the contribution or the credit granted, the guarantees and bank guarantees received, the account balances of one or more related creditors (depositors) and own funds of a credit institution.

### **Article 66**

The liquidity ratio of a credit institution is defined as:

- the ratio between its assets and liabilities, taking into account the deadlines, sums and types of the assets and liabilities and other factors;
- the ratio between its liquid assets (cash money, demand deposits, short-term securities, other marketable assets) and total assets.

### **Article 67**

The capital adequacy ratio is defined as a limit ratio between the total amount of own funds (capital) of a credit institution (banking group) and the amount of its assets weighted according to their level of risk.

#### **Article 68**

The maximum amount of attracted monetary contributions (deposits) of citizens is defined as a limit ratio between the total amount of the monetary contributions (deposits) of citizens and the amount of own funds (capital) of the bank.

#### **Article 69**

The use regulation of own funds (capital) of a credit institution for the acquisition of shares (stakes) of other legal entities is a percent ratio between the amount of invested and own funds (capital) of a credit institution (banking group).

The size of the use regulation of own funds (capital) of a credit institutions for the acquisition of shares (stakes) may not exceed 25 percent of own funds (capital) of a credit institution (banking group).

#### **Article 70**

The Bank of Abkhazia regulates the amounts and the manner of accounting of an open position of credit institutions (banking group) on the foreign exchange, interest rate and other financial risks.

#### **Article 71**

The Bank of Abkhazia determines the procedure for the formation and the size of pre-tax reserves (funds) of credit institutions for possible losses on loans, to cover the foreign exchange, interest rate and other financial risks, to insure the citizens' deposits in accordance with the law.

#### **Article 72**

The maximum amount of credits, guarantees and bank guarantees provided by a credit institution (banking group) to its participants (shareholders) is determined as a percentage of own funds (capital) of a credit institution (banking group).

The abovementioned norm may not exceed 20 percent.

#### **Article 73**

The Bank of Abkhazia establishes the methodology for determining the own funds (capital) of a credit institution, assets, liabilities and exposures on assets for every standard, in accordance with international standards and consultations with credit institutions, banking associations and unions.

The Bank of Abkhazia has a right to establish differentiated standards and methods of their calculation by regions and types of credit institutions and also for the Sberbank of the Republic of Abkhazia.

The Bank of Abkhazia officially informs about the upcoming changes in standards and methods of their calculation, not later than a month before their entry into force.

In order to determine the amount of own funds (capital) of a credit institution, the Bank of Abkhazia assesses its assets and liabilities on the basis of assessment methodologies established by the normative acts of the Bank of Abkhazia. A credit institution should show in its accounting and other reports the amount of own funds (capital) determined by the Bank of Abkhazia.

If the amount of own funds (capital) of a credit institution is less than the authorised capital of a credit institution defined in its constitutive documents, the Bank of Abkhazia shall send to this credit institution a request to bring into conformity the amount of own funds (capital) and the size of the authorised capital. The credit institution should comply with the request of the Bank of Abkhazia in the manner and on the terms and conditions established by the legislation of the Republic of Abkhazia on the insolvency (bankruptcy) of credit institutions.

The Bank of Abkhazia establishes the conditions for the inclusion of subordinated loans (deposits, loans and bonds) in equity sources (capital) of a credit institution, and also the conditions for the exclusion of subordinated loans (deposits, loans and bonds) from equity sources (capital) of a credit institution. The amount of a subordinated loan (deposit, loan and bond), after prior approval from the Bank of Abkhazia taking place in the manner established by the normative act of the Bank of Abkhazia, may be excluded from the calculation of equity (capital) of a credit institution in case of an early termination of a subordinated loan agreement (deposit, loan), early redemption of bonds at the initiative of a credit institution – borrower.

*See the Regulation of the Bank of Abkhazia “On establishing the requirements for subordinated loans (deposits) attracted by credit institutions”*

The Bank of Abkhazia has a right to suspend the repayment of the principal balance of debt and (or) interest on the subordinated loan (deposit, loan) agreement or bonds in the manner established by the normative acts of the Bank of Abkhazia, in cases where the suspension of repayment is stipulated in the subordinated loan (deposit, loan) agreement or in the registered bond issue conditions and where regular payments to creditors would give rise to the implementation of bankruptcy prevention measures of credit institutions, as established by the legislation of the Republic of Abkhazia on the insolvency (bankruptcy) of credit institutions. At the same time, the Bank of Abkhazia forbids credit institutions to make decisions on the distribution of profits between its founders (participants), repayment (declaration) of dividends. The ban on satisfying the demands of the founders (participants) of a credit institution on the allocation of a share to them (or of a part thereof) or on the payment of its actual value, or on the redemption of shares of a credit institution shall be lifted, in case of the elimination of a real threat of the emergence of conditions for the implementation of bankruptcy prevention measures at the request of a credit institution, presented in the manner established by the Bank of Abkhazia.

#### **Article 74**

In order to fulfill its functions in the area of bank regulation, supervision and control, the Bank of Abkhazia conducts the inspections of credit institutions, their branches and representative offices and sends them obligatory instructions to eliminate the violations which have been detected in their activities and also applies against violators sanctions stipulated in this Law.

The inspections may be conducted by the representatives of the Bank of Abkhazia authorised by the Board and (or) by audit firms, on behalf of the Bank of Abkhazia.

Representatives of the Bank of Abkhazia authorised by the Board or audit firms have a right to receive and inspect the reports and other documents of credit institutions, to make copies of relevant documents, to enter and inspect any premises, including the vault, to perform other actions in accordance with the existing laws and the normative acts of the Bank of Abkhazia.

The order of inspection of credit institutions (their branches) and the credit institutions' obligations to assist in the inspections are determined by the Board of the Bank of Abkhazia.

When performing the functions of bank regulation and supervision, the Bank of Abkhazia may not conduct more than one inspection of a credit institution (its branch) on the same issues and for the same reporting period of the activity of a credit institution (its branch), with the exception of cases stipulated in this article. Moreover, the inspection may cover only five calendar years of the activity of a credit institution (its branch), preceding the year of the inspection.

A re-inspection of a credit institution (its branch) by the Bank of Abkhazia on the same issues and for the same reporting period of the activity of a credit institution (its branch) for the period already inspected shall be allowed on the following grounds:

- if such an inspection is being conducted on account of a reorganisation or liquidation of a credit institution;
- by a reasoned decision of the Board of the Bank of Abkhazia. The Board's decision may be made on the basis of an application of a corresponding structural division of the Bank of Abkhazia, in order to assess the financial situation and the quality of assets and liabilities of a credit institution. For these purposes, the application of a structural division of the Bank of Abkhazia should contain references to the identified signs of an unstable financial situation of a credit institution, if these signs have created a real threat to the interests of creditors (depositors) of a credit institution. The abovementioned signs should be identified and assessed in accordance with the methods established by the normative acts of the Bank of Abkhazia.

## **Article 75**

In case a credit institution has violated the laws, normative acts and directives of the Bank of Abkhazia, has not provided information, has provided incomplete or inaccurate information, the Bank of Abkhazia has a right to demand the credit institution to eliminate the violations detected, levy a fine of up to 0.1 per cent of the minimum authorised capital, restrict certain operations for a period of up to six months.

In case the directives on the elimination of violations have not been fulfilled by the deadline established by the Bank of Abkhazia, and also in case these violations or the credit institution's banking operations or transactions have created a real threat to the interests of creditors (depositors), the Bank of Abkhazia shall have the right to:

- 1) collect from a credit institution a fine of up to 1 percent of the amount of the paid-up capital, but no more than 1 percent of the minimum amount of the authorised capital;
- 2) demand from a credit institution:
  - to implement measures of financial rehabilitation of a credit institution, including changes in the structure of assets;
  - to replace the heads of a credit institution, the list of their positions is indicated in article 59 of this Law;



– to reorganise a credit institution;

3) change the mandatory standards, which have been established for a credit institution, for up to six months;

4) prohibit a credit institution from performing some banking operations allowed by its license for a period of up to one year, and also from opening branches for a period of up to one year;

5) appoint an interim administration to manage a credit institution for a period of up to six months. The procedure for the appointment and the activities of an interim administration is established by the legislation of the Republic of Abkhazia and the normative acts of the Bank of Abkhazia;

6) revoke the license to conduct banking operations.

The Bank of Abkhazia has a right to revoke a credit institution's license to conduct banking operations on the grounds envisaged by the Law of the Republic of Abkhazia "On banks and banking activity". The procedure for the revocation of the license to conduct banking operations is determined by the normative acts of the Bank of Abkhazia.

#### **Article 76**

The Bank of Abkhazia analyses the activity of credit institutions (banking groups), in order to detect situations, which threaten the legitimate interests of creditors (depositors) and the stability of the banking system of the Republic of Abkhazia.

Should such situations arise, the Bank of Abkhazia shall have the right to undertake measures stipulated in article 75 of this Law and also to implement measures for the financial rehabilitation of credit institutions by the decision of the Board of the Bank of Abkhazia.

#### **Article 77**

In order to protect the interests of depositors and creditors, the Bank of Abkhazia has a right to appoint to a credit institution, whose license to conduct banking operations has been revoked, an authorised representative of the Bank of Abkhazia. The procedure for the activities of the authorised representative of the Bank of Abkhazia is established by the laws and the normative acts of the Bank of Abkhazia, which are issued in accordance with these laws.

In the period of the activity of the authorised representative of the Bank of Abkhazia, a credit institution has a right to perform operations permitted to it by the laws only by agreement with the authorised representative of the Bank of Abkhazia in the manner established by the law of the Republic of Abkhazia "On banks and banking activity".

After the establishment of a liquidation commission (liquidator) or the appointment of an arbitration manager by the court of arbitration, the activity of the authorised representative of the Bank of Abkhazia ceases.

### **Chapter 11. The Activities of the Bank of Abkhazia to Prevent Legalisation (Laundering) of Criminal Incomes and the Financing of Terrorism**

## **Article 78**

The Bank of Abkhazia is engaged in activities to prevent legalisation (laundering) of criminal incomes and the financing of terrorism by means of the tools of the banking system of the Republic of Abkhazia. For these purposes, a financial monitoring service is functioning in the Bank of Abkhazia. The main tasks of the financial monitoring service are:

- collecting, processing and analysing information on suspicious transactions with money or other property;
- creating a unified information system and maintaining a database in the field of prevention of legalisation (laundering) of criminal incomes and the financing of terrorism;
- sending appropriate information to law enforcement agencies in accordance with their competence, if there is sufficient evidence that the operation, the transaction is connected to the laundering of criminal incomes and the financing of terrorism;
- interacting and exchanging information with competent authorities of foreign states in the area of preventing the legalisation (laundering) of criminal incomes and the financing of terrorism, in accordance with the international treaties of the Republic of Abkhazia;
- representing the Republic of Abkhazia in international organisations on issues of preventing the legalisation (laundering) of criminal incomes and the financing of terrorism.

## **Article 79**

In order to ensure activities in the area of prevention of the legalisation (laundering) of criminal incomes and the financing of terrorism, the National Bank of the Republic of Abkhazia:

- issues normative acts in the area of prevention of the legalisation (laundering) of criminal incomes and the financing of terrorism, and it also establishes the requirements for the identification of clients and beneficiaries, qualification requirements for special officials of credit institutions, identifies the criteria (signs) of suspicious operations with money and other property;
- identifies the method and the procedure for credit institutions to report on suspicious operations with money and other property;
- protects the information obtained from credit institutions from unauthorised access by third parties;
- cooperates with law enforcement agencies of the Republic of Abkhazia according to their competence;
- exercises control and supervision of credit institutions on the issues of compliance with the legislation of the Republic of Abkhazia on the prevention of the legalisation of incomes, which have been obtained by criminal means, with the right to revoke the license for banking operations, in case the activities of credit institutions show the signs of violating this legislation.

## **Chapter 12. Relations with Credit Institutions**

## **Article 80**

The Bank of Abkhazia interacts with credit institutions, their associations and unions, consults with them before making the most important decisions of normative character, provides the necessary clarifications, considers the suggestions on the issues of banking regulation.

The Bank of Abkhazia shall be obliged to reply in writing to a credit institution on matters within its competence, not later than one month from the date of receipt of the written request of a credit institution. If necessary, the period of consideration of the abovementioned request may be extended by the Bank of Abkhazia, but not for more than one month.

#### **Article 81**

In order to interact with credit institutions, the Bank of Abkhazia has a right to establish volunteer committees with the participation of representatives of credit institutions, as well as working groups for the study of specific issues of banking.

#### **Article 82**

The Bank of Abkhazia is not responsible for the liabilities of credit institutions, with the exception of cases when the Bank of Abkhazia has assumed such obligations. Credit institutions are not responsible for the liabilities of the Bank of Abkhazia with the exception of cases when credit institutions have assumed such obligations.

### **Chapter 13. The Organisation of Non-Cash Payments**

#### **Article 83**

The Bank of Abkhazia is a body responsible for coordination, regulation and licensing of settlement and clearing systems of the Republic of Abkhazia.

The Bank of Abkhazia establishes the rules, forms, terms and standards of settlement activity.

The total period of non-cash payments should not exceed two banking days within the Republic of Abkhazia.

#### **Article 84**

The Bank of Abkhazia performs inter-bank settlements through its institutions or units.

#### **Article 85**

Foreign currency may be used as the means of non-cash payment only between companies which have accounts in foreign currency in credit institutions and also for payments to the State budget of the Republic of Abkhazia.

## **Chapter 14. The Principles of Organisation of the Bank of Abkhazia**

### **Article 86**

The Bank of Abkhazia constitutes a single centralised system with a vertical management structure.

The system of the Bank of Abkhazia consists of the central office, territorial institutions, cash processing center, other departments, agencies and organisations, including security units necessary for carrying out the activities of the Bank of Abkhazia.

### **Article 87**

Territorial institutions of the Bank of Abkhazia have no legal status and they have no right to take normative decisions, issue guarantees and bank guarantees, promissory notes and other liabilities without the permission of the Board of the Bank of Abkhazia.

### **Article 88**

The Bank of Abkhazia may be liquidated only on the basis of adopting a corresponding Constitutional Act on the amendment of the Constitution of the Republic of Abkhazia.

## **Chapter 15. The Employees of the Bank of Abkhazia**

### **Article 89**

The conditions of employment, dismissal, remuneration, duties and rights, and the system of disciplinary sanctions for the employees of the Bank of Abkhazia is determined by the Board of the Bank of Abkhazia in accordance with the law.

### **Article 90**

The Board of the Bank of Abkhazia creates a pension fund for the provision of supplementary pension to the employees of the Bank of Abkhazia, and it also organises the life insurance, medical and social insurance of the employees of the Bank of Abkhazia.

### **Article 91**

The employees of the Bank of Abkhazia who hold positions the list of which is confirmed by the Board of the Bank of Abkhazia are not permitted to:

- 1) have a secondary employment, including on the contract basis (with the exception of teaching, research and creative activity);
- 2) hold posts in credit and other institutions;

3) purchase securities, shares (stakes in the authorised capital of credit institutions) which could bring revenue, if this may lead to a conflict of interest;

4) be an attorney or representative on affairs of third parties in the Bank of Abkhazia.

In case an employee of the Bank of Abkhazia possesses income-generating securities, shares (stakes in the authorised capital of credit institutions) which may lead to a conflict of interest, he should give to trust management the securities, shares (stakes in the authorised capital of credit institutions) which belong to him.

After being dismissed, the employees of the Bank of Abkhazia who held positions the list of which is confirmed by the Board of the Bank of Abkhazia are not permitted to:

1) in the course of a year, to hold the posts of heads in credit institutions, the list of which is indicated in Article 59 of this Law, if some supervisory and control functions over these credit institutions were directly a part of their duties, without the consent of the Board of the Bank of Abkhazia;

2) disclose or use for the benefit of organisations or individuals the information which is classified as limited access in accordance with the legislation of the Republic of Abkhazia, or official information which became known to them through their official duties.

#### **Article 92**

The employees of the Bank of Abkhazia who hold positions the list of which is confirmed by the Board of the Bank of Abkhazia may receive credits for personal needs only in the Bank of Abkhazia.

#### **Article 93**

The employees of the Bank of Abkhazia have no right to disclose official information on the activities of the Bank of Abkhazia without the consent of the Board.

### **Chapter 16. The Audit of the Bank of Abkhazia**

#### **Article 94**

The People's Assembly-Parliament of the Republic of Abkhazia, before the end of the reporting year, decides on the audit of the financial statements of the Bank of Abkhazia and determines the audit organisation which has a license to conduct audit on the territory of the Republic of Abkhazia.

*By the Law of the Republic of Abkhazia from June 15, 2011, № 2942-c-IV, the Article 94 of this Law is supplemented by part two*

The People's Assembly-Parliament of the Republic of Abkhazia decides on the examination by the Control Chamber of the Republic of Abkhazia of the financial and business activity of the National Bank of the Republic of Abkhazia, its structural institutions and units.

*By the Law of the Republic of Abkhazia from June 15, 2011, № 2942-c-IV, the second part of Article 94 of this Law is to be considered the third part*

The President of the Republic of Abkhazia has a right to decide on the necessity of inspecting the activity of the Bank of Abkhazia and to appoint a corresponding committee for this purpose.

#### **Article 95**

The Bank of Abkhazia, in accordance with the contract on audit services signed with an audit organisation, is obligated to provide it with reports and information which is necessary for auditing the Bank of Abkhazia.

In the contract on audit services, the information given to the audit organisation should be specified, and the responsibility of the audit organisation for passing the received information to third parties should be stipulated.

Payment for the service of the audit organisation under the contract on audit services is carried out at the expense of own funds of the Bank of Abkhazia.

#### **Article 96**

The internal audit of the Bank of Abkhazia is carried out by the Chief Auditor Service, which is directly subordinated to the Chairman of the Bank of Abkhazia.

### **Chapter 17. Final Provisions**

#### **Article 97**

1. This Law comes into force on March 15, 2011.
2. Paragraph 16 of part 1 of Article 4, paragraph 16 of part 2 of Article 17 come into force on the date of entry into force of the Law of the Republic of Abkhazia "On the insurance of individuals' deposits in the banks of the Republic of Abkhazia".
3. From the date this Law comes into force, the Law of the Republic of Abkhazia "On the National Bank of the Republic of Abkhazia (Bank of Abkhazia)" from January 4, 1999, № 475-c-XIII is to be considered repealed.
4. The President of the Republic of Abkhazia, the Government of the Republic of Abkhazia and the National Bank of the Republic of Abkhazia shall bring their normative legal acts into conformity with this Law.

Adopted by the People's Assembly –

Parliament of the Republic of Abkhazia

on February 22, 2011

PRESIDENT

OF THE REPUBLIC OF ABKHAZIA  
BAGAPSH

S.

Sukhum

March 10, 2011

№ 2858-c-IV