

LAW OF THE REPUBLIC OF TAJIKISTAN ON SECURITIES AND STOCK EXCHANGE

This Law determines the general principles for the issuance and circulation of securities and also regulation of activity and relationships of participants of the equity market, who are issuers of securities, investors and professional participants of the equity market.

The aim of this Law is to develop an equity market in the Republic of Tajikistan in order to promote economic growth by rationalizing the use of financial resources; to encourage enterprises through public policy to issue and sell securities; to establish legal guarantees so that persons who acquire securities have the necessary information about the enterprise whose securities are being sold.

The law establishes necessary requirements of competence for persons engaging in the issuance and circulation of securities, creates conditions for the organization in the Republic of Tajikistan of the necessary structures to carry out operations with securities ensuring they are performed efficiently and in accordance with the interest of developing a national equity market.

CHAPTER I GENERAL PROVISIONS

Article 1. Legislation on securities and stock exchange

Relations involving the issuance and circulation of securities and activities of professional participants in equity markets are regulated by the present Law and other legislation of the Republic of Tajikistan. (Law No. 68 as of 8.12.03)

Particularities of professional activity of foreign legal entities and enterprises with foreign investment in the security market are regulated by the legislation on foreign investment in the Republic of Tajikistan (Law N 68 as of 12/12/03)

Article 2. Basic terms

The basic terminology and notions used in the Law

Issuer of securities is a legal person who issues securities in line with the legislation in place and who personally commits to bear all responsibilities towards holders of securities arising from the conditions of issuance of securities (hereafter called the issuer)

Investor is the physical or legal person who invests his own funds into securities

Securities are the documents that confirm the property rights of the owner towards the issuer. These rights are implemented through showing or passing these documents. In cases provided by the Law, in order to implement and transfer rights attested by a registered security, it is sufficient to have it written in a special register (either usual or digital).

Prospectus of securities is a package of documents containing information about the issuer, his financial performance and financial performance of securities that he issues.

A certificate of security is the document provided by the issuer to owner of securities in order to confirm his rights on securities. The certificate is not a security.

Issue of securities is allocation of securities in order to create the authorized capital stocks and to raise loan proceeds.

Organized equity market is the area of circulation of securities where the transactions with securities are regulated by the procedure and terms established by the organized auction for participants of transaction and in line with the acting legislation.

Unorganized equity market is the area of circulation of securities where transactions of securities are implemented without maintenance of requirements of the organized market.

Circulation of securities is the conclusion of civil transactions related to securities

Professional participants of the securities market are the legal entities that have a license for engaging in either form of professional activity at the equity market

Securities are considered to be bearer papers in case when production of the security is enough for implementation of property rights related to its ownership.

Securities are registered securities when for implementation of property rights related to its ownership, a registration of the owner's name in the register of holders of securities is needed. (Law No. 638 as of 22.05. 1998)

Article 3. The way securities are issued

The securities can be issued in the following forms:

- a) documentary
- b) non-documentary

The documentary form of issuance of securities is the type of issuance under which the property rights for securities are fixed on material object (paper and other materials)

Securities for the bearer can be issued only in documentary form.

Non-documentary type of issue of securities is the type of issue when property rights on registered stock are fixed in a special register (usual or digital one).

The way securities are issued can be changed by the issuer by amending documents that are submitted for the state registration of issue.

The issuer, a specialized agency or a body authorized by the Government of the Republic of Tajikistan who maintain and store the register of holders of securities are required to provide the owner of securities if requested confirming his property rights. (Law No. 638 as of 22.05.1998)

Article 4. Securities covered by the Law

The Law covers the following securities:

- a) Shares as defined in article 6 of the Law
- b) Bonds as defined in Article 12 of the Law
- c) Documents certifying the rights of its owner for purchase or sale of securities mentioned in article 4 a) and b) of the Law.

Article 5. Types of securities whose issuance and circulation are regulated by other legislation

The Law does not regulate issuance and circulation of the following securities:

- a) Bonds of internal public and local loans, other papers what are issued or guaranteed by the Government of the Republic and the National Bank of the Republic of Tajikistan; also by local authorities;
- b) A bank's certificate (Law No. 68 as of 8.12.03)
- c) Bill (Law No. 68 as of 8.12.03)
- d) Any payment obligation that arises in the course of usual commercial activity implemented within a year and that is drawn up in a documentary form
- e) Securities whose circulation terms provide for circulation only amongst the working team of the enterprise
- f) Check (Law No. 68 as of 8.12.03)
- g) Bill of lading (Law No. 68 as of 8.12.03)
- h) Regulation of issuance and circulation of all government papers, mentioned in item a) of part 1 of the article is carried out by the Ministry of Finances of the Republic, the National Bank of the Republic of Tajikistan. The way local bonds are issued is determined by the local Majlises of People's deputies basing on relevant normative acts. Government papers and local bonds are circulating in the market equal with other securities terms. (Law of RT No. 126 as of 2.11.1995) (Law of RT No. 638 as of 22.05.1998).

Regulation of deposit and savings certificates is undertaken in accordance with the order established by the National Bank of the Republic of Tajikistan.

Regulation of securities mentioned in paragraphs c), d), e) is carried out by the appropriate legislation of the Republic of Tajikistan.

Article 6. Main characteristics of the shares

A share is a security without established terms of circulation enabling its owner to receive part of the profits of enterprise as a dividend and enabling him to participate in its management, and also giving him right for part of property left after liquidation of the enterprise. (Law of RT No. 638 as of 22.05.1998)

A minimal principal value of the share is 1 somoni. A principal cost of a share more than 1 somoni should be a multiple of the minimal cost of the share. (Law No. 68 as of 8.12.03)

The share should contain the following requisites: firm name of the issuer and its location ; name of the security that is "share", its serial number and sequence number, date of issue and number of the state registration, type of share (equity or preference share), its principal value, name of the share owner (for nominal share) either statement that the share is for the bearer; date of payment of dividends; signatures (facsimile) of two issuer's persons in charge, terms of circulation, name and address of the specialized agency or the body authorized by the Government of the Republic of Tajikistan, which is maintaining and storing the register of holders of securities (turn over) (Law of RT No. 638 as of 22.05.1998)

The share certificate has to contain the following requisites: name of the security -"Certificate of share", amount of shares it certificates, type of shares; firm name and location of the issuer; firm name (for legal entities) or name (individuals) of the shareholder (for registered share certificates) either a statement that the share is written out for the bearer; a principal value if one share, term of payment of dividends; location and date of issue, number of state registration, serial and sequence number of the share; signature (facsimile) of two persons authorized by the issuer and list of rights on the shares, and also the name and address of the specialized agency either an authorized by the Government of the Republic body (agency) who carry out maintenance and storage of the register of the holders of securities of the issuer (on the back). (Law of RT No. 638 as of 22.05.1998)

The share certificate can contain other information about issuer as well.

The coupon paper for issue of dividends can be attached to the share certificate. The coupon paper consists of two parts, the coupon itself and the slip.

The coupon for payment of dividends confirms the right of the shareholder to receive profits as dividends during the year specified and has to contain the following main elements: serial number of the coupon for payment of dividends; number of state registration of the share, the serial and sequence number of the share under which the dividends are paid; name of the issuer; location and date of the issue of share; the year of payment of dividends, signatures (facsimile) of the persons authorized by the issuer of the share.

The slip of the coupon paper confirms the right of the shareholder to receive the new coupon paper after complete payment of all coupons, and has to contain the following main elements: serial number of the registration of the share, the series and sequence number of the share for which the dividends are paid; name of the issuer; location and date of issue of the share; signatures (facsimiles) of the authorized persons of the issuer.

The share is indivisible. In cases when the same share belongs to several persons, it is recognized as their joint ownership. The shareowners can execute their rights through one of them or through a common representative.

(Law of RT No. 638 as of 22.05.1998)

Article 7. Transfer of rights on shares

The transfer of ordinary shares from hand to hand means the implementation of a transaction and transfer of property right. Transfer of the nominal share which was issued in documentary form or a share certificate confirming the right of the person mentioned in it means implementation of a transaction and transfer of the property right only after registration of the transaction in accordance with the established order and also means relevant amendments in the register of the shareholders.

Transfer of rights on nominal shares issued in non-documentary form can only be done by relevant amendments in the register of the shareholders according to the established order. (Law of RT No. 638 as of 22.05.1998)

Article 8. Decisions to issue

Decision to issue shares is made by the founders of the joint stock or by the general assembly of the shareholders of the joint stock in the order provided by the existing legislation and its statute.

The decision to issue shares has to contain in obligatory manner: the firm name of the issuer of the shares and his address; the size of the authorized stock of the issuer, goals and subject of his activity, and also statement of names of the management officials of the issuer; as well as the controlling body (the auditor's firm); the data on already issued securities; the goal of issuance of shares, amount of nominal shares and bearer shares, amount of preference shares; the principal value of shares, the amount of voters; the way dividends are paid out; the dates of application for shares; the order of application; where and when the funds for purchase of shares are paid out; in what period of time the funds are being returned when there is case of rejection to issue shares; the priority of issue of shares when issuing shares in different series; the order of announcement and issuance of shares; the order of allocation of shares; the order of payment of shares; the order of disposal of shares; the order of exchange of shares; the rights of owners of preference shares; the right of priority when purchasing from a new issue of shares and other issues related to issuance of shares. (Law No. 68 as of 8.12.03)

Article 9. Issuance of shares

The issue of shares is carried out in the size of the authorized capital of the joint stock in accordance with the acting legislation. (Law no. 68 as of 8.12.03)

Additional issue of shares is possible when all shares issued before are all purchased at price not less than the nominal. When issued, shares can not be sold at price below the nominal.

It is prohibited to issue shares in order to cover losses related to economic activity of the enterprise.

The investor can not transfer the property rights related to ownership of shares before complete payment of the share's value.

The joint stock can acquire at the equity market the shares of their own issue in order to resell them later, to distribute them amongst the staff or to cancel them. The sales of these shares are to be carried out during a term not less than one year from the time of its purchase by the joint stock. After that the shares that are not sold are cancelled and at the same time the authorized capital is reduced. Allocation of profit, also voting and definition of quorum at the general assembly of the shareholders is done without consideration of the own shares acquired by the joint stock. The total sum of shares obtained by the joint stock out of shares of its own issue can not exceed in its nominal value 10% of the sum of the authorized capital of this joint stock. (Law No. 68 as of 8.12.03)

Article 10. Payment of profits on shares

Dividends on shares are paid out as results of the year, half a year, a quarter according to the terms of issuance of shares. The dividends are paid out at the expense of profits left after payment of taxes set up by the legislation and after other payments to the budget.

Article 11. Benefits rising from preference shares

The dividends for preference shares are paid out to the tune of the previously specified steady percent of its principal value, not depending of the profits received in the relevant year by the joint stock. In case the profit is insufficient, the dividends on preference shares are paid out of the reserve fund, and in case the reserve fund is not enough the procedure can be postponed for the next year and be paid out of the profits of the next year.

The owner of the preference share has the right for priority (in comparison to other shareholders) satisfaction of requirements of shares in case of liquidation of the joint stock. The owner of the preference share may have other rights defined by the terms of issuance of shares and by the statute of the joint stock that issued them.

The owner of the preference share can not participate in management of the joint stock if not otherwise provided by its statute.

Overall size of the issue of preference shares at its principal value can not exceed 25 percent of the sum of the authorized capital of the joint stock. (Law No. 68 as of 8.12.03)

Article 12. Main characteristics of a bond.

A bond is a security confirming the issuer's commitment to reimburse the owner of the security its principal value in due time and to pay the fixed rate (if not otherwise provided by the terms of issuance)

The bonds are issued in a series consisting of uniform securities with equal principal value and equal terms of issuance and reimbursement.

The minimal principal value of a bond is not limited. The par value of bond should be a multiple of 10 somoni (Law No. 68 as of 8.12.03)

Bonds are issued by enterprises and agencies who are not legal entities.

The terms of issue and distribution of bonds are defined by the legislation and statutes of the enterprises (the issuer)

The bonds can be issued as registered bonds and bearer bonds.

The bond is to contain the following requisites: name of the security "Bond", the firm name and location of the issuer of the bond, firm name or name of owner of the bond or a statement that the bond is written out for the bearer, the principal cost; size of interests, if it was provided for; order, interest maturity and payment date; location and date of issue, and also the number of state registration, series and consequence number of the bond; signatures (facsimile) of two persons authorized by the issuer and also the rights rising from the bond, as well as the name and address of the specialized body either an authorized by the Government of RT body who is maintaining and storing the register of owners of preference shares. (Law of RT as of 22.05.98 No. 638)

The bond certificate has the following requisites: name of the security "Bond certificate"; amount of bonds certificated by it; firm name and location of the issuer of bonds; firm name and location or name if the purchaser or statement, that the bond is written out for the bearer; the principal value; size of interests, if provided; the order, interest maturity and payment dates; location and date of issue, also the number of state registration, series and sequence number of the bond; signatures (facsimile) of two persons authorized by the issuer, as well as the rights rising from the bond, also name and address of the specialized agency either authorized by the Government of Tajikistan body who is maintaining and storing the register of holders of registered bonds (Law of RT as of 22.05.98 No. 638).

The bond certificate may also contain other data about the issuer.

Besides the main part, the bond may also contain a coupon paper for payment of interests.

The coupon for payment of interests has to contain the following main elements: sequence number of the coupon for payment of interest; number of bond, for which the interests are paid; name of the issuer; the year of interest payment and signatures (facsimiles) of the persons authorized by the issuer of the bond. (Law of RT No. 638 as of 22.05.98)

Article 13. Decision to issue bonds

Issuance of bonds is carried out according to the decision of owner (owners) of the legal entity either by a person authorized by him (them). (Law No. 68 as of 8.12.03)

A joint stock may make a decision to issue bonds only after the shareholders have fully paid off the cost of all shares.

The ministry of Finances of the Republic of Tajikistan together with the National Bank of RT establishes a standard indicator which is a ratio of the issuer's indebtedness as in terms of the issued bonds to the sum of his authorized capital. (Law of RT as of 4.11.95, No. 126)

The decision to issue bonds has to contain: the firm name of the issuer of bonds and his address; the authorized capital of the issuer; regulations on economic activity, and also statement about management officials of the issuer; name of the monitoring body (the auditor's firm), data on

issued securities that have already been allocated; the purpose why bonds were issued; statement about type of bonds- are they registered or bearer bonds; total sum of issuance and amount of bonds, the principal value of bond, the way profits are paid; where and when funds for purchase of bonds are paid; in what term the funds are returned in case issuance of bonds is rejected; the order of announcement and issuance of bonds; the order of allocation of bonds; the order of payment of bonds; other issues related to issuance of bonds.

Article 14. Payment of profits on bonds

The profits on bonds are paid out by periodic payment of coupons, by one-off payment when paying off the bonds or by a different option provided by the terms of issuance of bonds.

Article 15. The consequences of non-fulfillment by the issuer of commitments rising from the bonds

In case the issuer does not complete commitments with regards to payment of interests and payments of the principal sum of bonds, these sums are charged obligatory in accordance with the legislation of the Republic of Tajikistan.

Article 16. Use of financial resources received from sales of bonds

Funds produced from sale of bonds are directed on goals set during its issuance. Issuance of bonds in order to form and replenish the authorized capital, to cover losses and to pay dividends is not allowed.

Article 16 (1) Transaction of securities

Transactions of securities are carried out at both organized and non-organized equity markets. The transactions of securities at the organized equity market are carried out by the professional participants by purchasing or selling securities on their behalf or on behalf of the client, at their expenses, or at expenses of the client.

Transactions of securities at the organized market can be carried out by both the investors who do not have a license to act as professional player, as well as through use of services of professional participants of equity market.

The agreement which specifies terms necessary for execution and implementation of the transaction confirms the authorities of a professional player for implementation of transactions of securities.

The procedure of transactions of securities and its registration is defined by the rules of agencies acting at the organized equity market. (Law of RT No. 638 as of 22.05.1998)

CHAPTER 2. PROFESSIONAL ACTIVITY WITH REGARDS TO SECURITIES

Article 17. Types of professional activity related to securities

The following types of professional activity on securities market are established

- a) intermediate activity related to issuance of securities:
- b) commercial (dealer) activity at equity market; (Law of RT as of 22.05.98 No 638)
- c) commissionaire (brokers) activity at equity market (law of RT as of 22.05.98 No. 638)
- d) related to management of securities portfolio
- e) identification of mutual requirements and commitments (clearing) with regards to transactions related to securities. (Law of RT as of 22.05.98 No. 638)

f) other types of activity (Law of RT No. 638 as of 22.05. 1998)

Intermediary activity related to issuance of securities which is reception and execution of orders of issuers of securities for arrangement and execution of applications, and also sales of securities on behalf of issuers with obligation to sell (realize under subscription) securities in accordance with regulations of the Law and also to buy at his own expense the unsold securities.

Commercial (dealer) activity related to securities is when a legal entity conducts a civil transaction on his own behalf and at his own expense with obligation to conclude transactions, using the sales and purchase prices stated by this legal entity. (Law of RT No. 638 as of 22.05.1998).

Commission (broker) activity related to securities is when a legal entity executes for a commission fee civil transactions with securities on his behalf and in interests and at expenses of another person by their order. (Law of RT No. 638 as of 22.05.1998)

The activity related to management of security portfolio is when legal entity implements particular rights fixed in securities which are provided to the legal entity by owner of these securities in accordance with the agreement being concluded. (Law of RT No. 638 as of 22.05.1998)

The activity related to identification of mutual claims and commitments (clearing) with regards to securities transactions is the activity related to reconciliation of mutual claims and commitments of parties participating in settlements implemented as result of execution of transactions with securities. (Law of RT No. 638 as of 22.05.1998)

The activity related to maintenance and storage of register of securities is the activity related to collection, fixing, processing, storage and provision of data enabling to identify the owner of the security and a specific date. (Law of RT No. 638 as of 22.05.1998)

Other types of activity are related to the above-mentioned types of activity and executed by legal entities, first of all with regards to consultancy services in relation to transactions of securities, and also services of storage, accounting and maintaining settlements of transactions of securities (the depository activity). (Law of RT No. 638 as of 22.05. 1998)

Article 18. Licensing professional activity at the equity market (Law of RT No. 638 as of 22.05.1998)

Only legal entities can act professionally with regards to securities at organized equity market based on license issued by the Ministry of Finances of the Republic of Tajikistan (Law of RT as of 4.11.95 No. 126)

The license can be issued to carry out several types of professional activity with regards to securities at once and to carry out a specific type of activity.

Article 19. Limits on combination of types of professional activity on securities.

Persons who have received a license to conduct commercial activity related to securities may carry out commission activity only through a stock exchange.

Persons who have received licenses to carry out commercial (dealers) and commissions (broker) activity at equity market do not have the right to conclude transaction with securities if conclusion and implementation of such transaction contradicts the client's interests. (Law of RT No 638 as of 22.05. 1998)

Article 20. Professional participants at the equity market

Legal entities acting at the equity market as defined by the article 17 of the Law are called the professional participants of the equity market. (Law of RT No 638 as of 22.05.1998)

The following legal entities can be professional participants of the equity market:

- a) banks
- b) joint stock companies who are engaged only in professional activity at equity market (law No. 68 as of 8.12.03)
- c) limited liability companies who engage only in activities at equity markets (Law No. 638 as of 22.05.1998)
- d) other legal entities professionally engaging only at the equity market(Law of RT as of 22.05. 98, no 638)

A professional participant of equity market acting at equity market can not combine it with other types of business activity. (Law of RT No. 638 as of 22.05.1998)

Article 21. Qualification requirements towards professionals dealing with securities

Ministry of Finances sets up the qualification requirements for acquisition of license in order to conduct professional activity with regards to securities as a professional participant of the equity market. (Law of RT No. 638 as of 22.05.1998) (Law of RT No. 126 as of 4.1.95)

In order to provide unity in regulation of professional activity related to securities, the Ministry of Finances of the Republic of Tajikistan: (Law of RT as of 22.05.98 No. 638)

- a) sets up uniform standard rules for concluding and drawing up of transactions with securities, for accounting and reporting on these transactions;
- b) sets up for professional equity market participants the standard indicators for adequacy of their own funds and other standard indicators limiting risks rising from transactions with securities
- c) defines the contents of the curriculum and tests for identification of qualification of experts of agencies, working professionally with securities.
- d) Identifies the order and rules of issuance, cancellation and suspension of certificate of competence of experts conducting the transactions with securities.

Article 22. Conditions under which acting professionally with securities as professional participant of equity market is not allowed.

A bank, a joint stock or a limited liability company in whose authorized capital there is a share of a professional equity market participant exceed 5 percent or a share of a legal entity whose participant is a professional equity market participant exceeds 10 percent can not obtain a license for the right to act professionally with securities as a professional participant of the equity market.

A professional equity market participant can not obtain from the other professional equity market participant direct or indirect property to the tune of more than 10 percent, including the indirect property to the tune more than 5 percent of the authorized capital.

If the share of a legal entity who is not authorized to act professionally with regards to securities, or of an individual in the authorized capital of several professional equity market participants exceeds 5 percent for each of the professional participants, then these professional participants of the equity market may not conclude transactions with each other.

A professional participant of the equity market can not trade:

- a) securities for bearer of his own issue;
- b) shares of the issuer whose direct or indirect owner he is to the tune of more then 5 percent of the authorized capital

Data on transactions mentioned in items 1,2,3,4 of the article can not be considered a legal secret of the participants of the transaction.

Article 23. Changing the subject of activity or the statue of the professional participant of the equity market

A permission of the National Bank of the Republic of Tajikistan (depending upon the place of registration of the commercial bank) is needed in order to change the statue of the professional equity market participant, for other participants a permission from the Ministry of Finances of the Republic of Tajikistan. (Law of RT as of 4.11.95 No. 126)

Article 24. Cancellation and suspension of license for professional activity related to securities

Ministry of Finances of the Republic of Tajikistan is entitles to cancel or suspend a license for professional activity with regards to securities if the team leader and experts of the relevant agency; (Law of RT as of 4.11.95 No.126, Law No. 68 as of 8.12.03)

- a) provide distorted data in the application for license or in the current reporting
- b) by a decision of the Ministry of Finances of the Republic of Tajikistan they are recognized as insufficiently qualified for professional activity for securities; (Law of RT as of 4.11.95, No. 126)
- c) violate the rules for professional activity for securities set by the Ministry of Finances (Law of RT as of 4.11.95, No 126)

The license can also be canceled in cases when persons engaging in professional securities activity do not maintain the rules set up by Ministry of Finances of the Republic of Tajikistan according to articles 20, 23 of the law, and if there are circumstances provided by the article 22 of the Law. (Law of RT as of 4.11.95 No. 126)

CHAPTER 3. REGISTRATION OF ISSUES OF SECURITIES AND THE ORDER OF CIRCULATION OF SECURITIES

(Law of RT No. 638 as of 22.05.1998)

Article 25. Order of registration of issuance of securities (Law of RT as of 22.05.98 No. 638)

The issuer is entitled to issue securities from the moment of registration of securities and from getting a number of the state registration at the Ministry of Finances of the Republic of Tajikistan. (Law of RT as of 4.11.95 No. 126)

Issuance of securities which did not pass the state registration is illegal. Proceeds from sales of securities is subject to withdrawal and to be returned to the investors. (Law of RT No. 638 as of 22.05. 98)

The registration of issuance of securities is carried out by the Ministry of Finances of the Republic of Tajikistan not depending upon the total amount of issue and method of subscription (open or closed sales). (Law of the RT as of 22.05.98 No. 638)

In order to register, the following documentation is to be provided: (Law of RT as of 4.11.95 No. 126)

- a) application on registration of securities;
- b) a copy of the decision on issuance of securities that was certified by a notary and drawn up in accordance with item 2 of article 8 and item 4 of article 13 of the Law respectively for registration of shares and bonds;
- c) certified by the notary copies of the constituent documentation (Law of RT as of 22.05.98 No 638)
- d) a sample of the security's letterhead and/or the security's certificate in case it was a documentary issue. (Law of RT No. 638 as of 22.05. 1998)

- e) two copies of the of the prospectus of issue of securities (law of RT as of 22.05.98 No. 638)
- f) A paper certifying the payment of the stamp fee for registration of issuance of securities (Law of RT as of 22.05. 98 No. 638)

The rules for drawing up registration of issuance and standards of certificates of securities are set up by the Ministry of Finances of RT (Law of RT as of 4.11.95 No. 126)

The state registration is to be conducted no later then 30 days after the application and necessary appendices were submitted. When registering a security, it is awarded with a number of the state registration. A rejection to register may be only as result of violation of the established order or inconsistency of the submitted documents with legislation's requirements.

A stamp fee is charged for registration of the prospectus of issue. The size and order of payment of this stamp fee is defined by The Ministry of Finances of the Republic of Tajikistan. A stamp fee is not charged for registration of the prospectus of issue where there is data only about securities belonging to the state. (Law of RT as of 4.11.95 No. 126) (Law f RT No. 638 as of 22.05.98)

The Ministry of Finances of RT maintains the state register of securities. (Law of RT No. 638 as of 22.05.1998) (Law of RT as of 4.11.95 No. 126)

Registration of securities which is conducted by fiscal bodies and in accordance with the article can not be considered as a guarantee of cost of these securities.

Ministry of Finances of the Republic of Tajikistan sets up the rules of circulation on the territory of Tajikistan of securities whose issuers are not under jurisdiction of the Republic of Tajikistan. (Law of 4.11.95 No 126)

Advertisement of securities in media before its state registration is not allowed.

Article 26. Permission to issue securities offered for open sale

In case of open sale (subscription) of securities the issuer has to receive a permission of the Ministry of Finances of the RT. Sales (subscription) pf securities is considered open if it meets at least one of the criteria below: (Law RT as of 4.1..95 No. 126)

- a) the securities submitted for registration are envisaged for allocation amongst legal entities and individuals, and it is impossible to identify the range of them beforehand;
- b) securities are offered for sale to more than 50 investors; (Law of RT No. 638 as of 22.05.1998)
- c) overall volume of issue of securities exceeds the maximum level of issue set up by the Ministry of Finances when selling securities under terms of closed subscription (Law of RT as of 4.11.95 No 126)

In order to obtain a permission to conduct a public subscription the issuer, besides documents listed in article 26 of the Law submits to the fiscal body informational about public sale of securities.

Article 27. Prospectus of issue (Law of RT as of 22.05.98 No. 638)

The data provided in the prospectus of issue have to be compliant with the reality and to be useable for evaluation of the economic and financial performance of the issuer. (Law of RT No. 638 as of 22.05.1998)

The information contained in the prospectus of issue can not be more than 6 months old. (Law of RT as of 22.05.98 No 638)

The following data is to be in the prospectus of issue: (Law of RT as of 22.05. 98, No. 638)

- a) Description of the issuer, including the firm name, location, date of establishment, subject of activity; and a certified by an auditor balance sheet and account of profits and losses, numbers of staff, and also main professional data about the management staff;
- b) Description of business activity of the issuer, certified by an auditor. A list of necessary data on financial performance of the issuer is established by the Ministry of Finances of the Republic of Tajikistan, and with regards banking bodies the National Bank of the RT establishes it; (Law of the RT as of 4.11.95 No. 126)
- c) Data on issue of securities; data and number of the protocol of the decision to issue securities, purpose of use of funds produced by issue, the planned size of issue; type and category of securities, and related to it rights; as for the shares the data is: the founders and possible rights, provided to owners of preference shares; amount, the principal value and cost of issue of securities; amount of series and consequence numbers; location, day of beginning and termination of sale, prospectus of issue about possible privileges of owners of securities; the planned trend; name of a professional equity market participant (if the issuer uses his services); actions taken in case of excess or not reaching the level of subscription; with regards to interest-bearing securities it is the planned interests, method of calculation and due dates of interests; addresses of places where proceeds are paid out, and transactions and deposition; (Law of RT as of 22.05.98 No. 638)
- d) A list and results of previous issues of securities and also allocation of securities by types;
- e) Amount of registered securities, issued by the issuer and also the ones belonging to the management staff

The prospectus of issue is signed by the issuer and a professional participant of the equity market, if his services are involved. (Law of RT as of 22. 05.98 No. 638)

In case a joint stock is established, the prospectus of issue has to contain the assumed data, provided in items a) and b) and c) of the third part of the article (Law of RT No 638 as of 22.05.1998)

In case of issuance of bonds, the following data is to be provided in the prospectus of issue besides the data mentioned in part 3 of the article. (Law of RT as of 22.05 98 No 638)

- a) maturity date;
- b) other terms related to securities;
- c) other terms related to securities
- d) guarantees of fulfillment of commitments

If there were conducted some economic recovery actions or there was an instruction to be liquidated, and it happened during three calendar years with the issuer or his legitimate successor, then relevant data is to be mentioned in the prospectus of issue. (Law of RT as of 22.05.98 No 638)

If in order to implement the commitments mentioned in the securities either legal entity acts as bondman, then in the prospectus of issue the relevant data should be provided about such kind of guarantee. (Law of RT as of 22.05.98 No. 638)

Possible risk factors related tot the issuer's activity should be mentioned in the prospectus of issue. (Law of RT as of 22.05.98 No. 638)

The prospectus of issue should be issued in the amount sufficient for all potential buyers of securities and to be available at the place where securities are sold. (Law of RT No. 638 as of 22.05.1998)

During implementation of subscription for securities the issuer is obliged, in case of changes in the actual condition of matters compared to the previously provided information about public sale of securities to register these changes at a fiscal body and also to inform the subscribers about these changes.

Article 28. The order of prohibition or suspension of issuance of securities

The Ministry of Finances of the Republic of Tajikistan can prohibit or suspend issue of securities in case of: (Law of RT as of 4.11.95 No. 126)

- a) violation of the acting legislation;
- b) if there is information in the prospectus that makes it possible to conclude that the terms of issue of securities contradict the acting legislation;
- c) if the information contained in the prospectus is insufficient as compared to the requirements of the Ministry of Finances of RT (Law of RT as of 4.1..95 No 126)
- d) if the information about financial and economic performance of the issuer provided in the prospectus is not compliant with the following requirements:
 - the issuer has to be breakeven during last thee incomplete fiscal years either from the moment of establishment if this term is less then three years;
 - the issuer was not subject during the years from the moment of establishment, or, if the period is less than three years, to administrative and economic sanctions from the state body due to reasons related to violation of acting legislation by the issuer;
 - the issuer should not have an outstanding debts to the creditors and as for payments to the budget;
 - the issuer should have completely paid authorized stock at the moment of making the decision to issue bonds.

It is not allowed to prohibit the issuance of securities due to reasons of inexpediency.

The Ministry of Finances of the Republic of Tajikistan is entitled to suspend the process of issuance of securities or to announce the results of issuance as invalid if the issue is carried out or was carried out with violations of the acting legislation, and also in case if it was established that the prospectus of issue of securities submitted for registration has incorrect data or does not meet other requirements of the Law, or when during the period of subscription there is new information coming and it significantly changes the terms of issue and requires to inform the investors. (Law of RT as of 4.11.95 No. 126)

In case the issue of securities was suspended, the issuer is to eliminate the violations which are the cause of such suspension, after that the issue can be continued as through a special permission of the Ministry of Finances of the Republic of Tajikistan. (Law of RT as of 4.11.95 No. 126)

If the issuer either the founders (in case the issuers have been organized first time as a joint-stock) consider that the prohibition to issue securities is groundless, they can claim this decision at the court or at the economic court within the jurisdiction. At the same time the process of issuance of securities is suspended until the court or the economic court awards a decision. (Law of RT No. 126 as of 4.11.95)

Article 29. Approving the report on public sales of the securities

No later than 7 days after termination of the term of public sale of securities the issuer submits to the Ministry of Finances of The Republic of Tajikistan a report on results of issuance stating the sum of sold securities (Law of RT as of 22.05.98 No 638)

The list of documents submitted for approval of the report and the way they should be drawn up is established by the Ministry of Finances of the Republic of Tajikistan. (Law of RT No 638 as of 22.05. 1998)

If during 10 business days starting from the day right after the day of submitting report on results of sale of securities to the registering fiscal body, this body did not inform that the issue of securities was recognized as void.

Article 30. Regular information about the issuer of securities

The issuer who sells openly securities is obliged to inform the society not less than 1 time a year about the main data of his financial and economic performance and activity (hereinafter named “the annual report”). (Law of RT No 638 as of 22.05.1998)

The issuer publishes his annual report in media available to all owners of securities of this issuer, and states in the report the timing and location for studying this report. (Law of RT No 638 as of 22.05. 98)

The annual report is to be published no later than May 1st after the reporting year and to submit it to the Ministry of Finances of the Republic of Tajikistan. (Law of RT No 638 as of 22.05. 1998, Law No. 68 as of 8.12.03)

Article 31. Information about changes in economic activity of the issuer

The issuer is obliged during two days to send to the stock exchange where his securities are quoted and to the registering body, and also to publish information related to the coming or accomplished changes in his economic activity according to the order, set up by article 30. This information should address the cost of securities or proceeds from it, if in the latest annual information sheet there were no data or reference to these changes. Such information contains first of all the following:

- a) the planned changes of rights for securities;
- b) changes of the management staff and also employees;
- c) Arrest of the bank account;
- d) Start of financial recovery actions or liquidation actions;
- e) Suspension or termination of activity;
- f) A decision on significant organizational changes (unbundling, merger, readjustment, etc);
- g) Not less than 10 % of property was destroyed due to force-major;
- h) There is data that the issuer was claimed for sum exceeding 10 % of the authorized stock;
- i) A credit was received or issuance of securities exceeds 50 % of the authorized stock.

Stock exchanges are obliged to publish the data described in item 1 about their official editions. The issuer, in case the data published about him was unauthentic, and if the data relates to cost of securities or its proceeds, is obliged to take measures towards fixing the erroneous data.

CHAPTER 4. STOCK EXCHANGE

Article 32. The notion and legal position of stock exchange

A stock exchange is (hereinafter the exchange) is an agency based by professional participants of the equity market in order to provide the necessary conditions for circulation of securities, definition of their rate (price) and its publication so that all stakeholders can study it and to maintain a high level of professionalism of the participants. The stock exchange does not pursue the aim of making profits; it is based on self-repayment and does not pay profits produced as result of its activity to its members.

The exchange is based as a joint stock. All shares of the Exchange are to be nominal shares. Only its shareholders can be the Exchange’s members.

Article 33. Establishment, registration and licensing of activity of the Stock exchange
Exchange is registered as a legal entity in accordance with the legislation of the Republic of Tajikistan. (Law of the RT as of 8.12.03 NO. 68)

The terms of establishing an Exchange are the following:

- a) The exchange has its own statute and independently develops internal rules for conclusion of transactions, verifications and settlements, also the admission to trade and exclusion from trade of securities at the Exchange (rules of transactions with securities). The statute and rules of doing transactions of the Exchange provide maintenance of principles of fair competition among the equity market participants, protection of interests against possible manipulations and carelessness of issuers, professional equity market participants and employees of the Exchange;
- b) Founders of the Exchange have accepted uniform requirements for qualification of the Exchange members, for conclusion and drawing up of transactions, rules of accounting and reporting, approved by the Ministry of Finances of RT (Law of RT as of 4.1.95 NO 126)

The Exchange is registered at the state notary's office at the place where the exchange is located and in accordance with the order set up for joint stock. (Law of RT no 638 as of 22.05.1998)

The stock departments of the commodity exchange, who carry out transactions at the equity market, are guided in their activity by the Law. Stock departments of commodity and other exchanges can be established as independent structural divisions with separate balance accounts.

Ministry of Finances and the Republic of Tajikistan issues licenses for conducting operations at the exchange and establishes rules for operations related to securities. The Ministry of Finances of the Republic of Tajikistan is entitled to suspend or to withdraw the license to perform operations at the exchange in case: (Law of RT as of 4.11.95 No. 126)

- if the authorized documents, rules and practice of the Exchange do not comply with the legislation of the Republic of Tajikistan
- if the Exchange's members or its management staff violate the legislation of the Republic of Tajikistan.

Article 34. Membership at the exchange

Banking agencies, joint stocks and limited liability companies can be members of the Exchange when they:

- A) have license to perform activity at equity market as professional equity market participants; (Law of RT as of 22.05.1998)
- B) assign employees to conclude transactions who have the certificate on the right to act professionally at equity market issued by Ministry of Finances of the Republic of Tajikistan; (Law of RT No. 638 as of 22.05.1998) (Law of RT as of 4.11.95 no 126)
- C) have paid the exchange entrance fee established for entrance into membership of the exchange and are obliged to maintain the statute and other rules of the exchange and to pay the annual membership fees;
- D) have not been called to answer for violation of the legislation of the Republic of Tajikistan on equity market and entrepreneurship. (Law of RT no 638 as of 22.05.1998)

The application for accession into Exchange membership is considered at the general assembly of shareholders who are the members of the Exchange.

The Exchange Council informs the applicant about the decision during 30 days in written format. A rejection of application is allowed only when the applicant does not comply with the requirements defined in item 1 of the article. A decision on rejection is to be based.

Article 35. Termination of membership at the Exchange

Membership at the Exchange is terminated when:

- a) there was withdrawal from membership at the Exchange;
- b) there was expulsion from the membership at the Exchange;
- c) the license on acting as professional participant at the equity market has been cancelled.

Article 36. General Assembly of the Exchange's members

The supreme Exchange's body is the general assembly of the exchange's members. The following relates to competence of the general assembly:

- a) making changes in the statute and rules of the Exchange;
- b) elections of the Exchange's management staff;
- c) accepting the reports of the Exchange's council and the Exchange's secretariat;
- d) approving the Exchange's budget and accepting its costs;
- e) approving the decision of the Exchange's Council;
- f) making decisions on all issues which are related according to the statute to the competence of the Exchange's assembly exclusively;
- g) enrollment and expulsion of the Exchange's membership.

The Exchange's general assembly is summoned as often as it is provided in the statute, but not less than once a year. Every member of the Exchange has one vote at the general assembly.

The general assembly usually makes decisions based on a majority vote. Not less than $\frac{3}{4}$ of total votes of the present members of the assembly is required for amending the statute and approving the decisions of the exchange's council.

Election and revocation of management staff are carried out by the general assembly through secret vote.

If general assembly does not have a quorum, then a follow general assembly is summoned during 15 days, and it has the quorum to consider the issues of the initial agenda regardless of the amount of present members.

Article 37. The Exchange's council

The Exchange's council is the management collective body whose tasks are managing the Exchange, developing Exchange's rules, identifying and managing the Exchange's personnel.

Majority of the Exchange's council is elected out of the Exchange's members. As the Exchange's members, the representatives of issuers and investors of securities which are quoted at the Exchange can be elected. Members of the Exchange's council can be managers of no more than one legal entity who is the Exchange's member, or the issuer of securities which are quoted at the Exchange.

Article 38. Requirements for employees of agencies who are the Exchange's members and employees

An individual having a share holding in constituent fund of the Exchange's member, can not be a team-Leader or an employee of another Exchange's member.

The Exchange's officers, team-leaders and employees of the Exchange's members can not take executive positions at the issuer of securities which are quoted at the exchange, they can not be in a labor legal relationship and have a share holding in the constituent fund of the issuer.

Article 39. State exchange's inspectors

The Ministry of Finances of the Republic of Tajikistan appoints state exchange surveyors in order to supervise observance of the Exchange's legislation. State exchange surveyors are entitled to be present during meetings of the exchange's bodies. (Law of RT as of 4.11.95 No 126)

Article 40. Dismissal of the Exchange

The Exchange is dismissed if:

- a) general assembly makes a decision to dismiss the Exchange without an assignee
- b) Ministry of Finances of the Republic of Tajikistan recalls the license issued for the Exchange's activity; (Law of RT as of 4.11.95 No 126)
- c) As awarded by the court (law of RT No 638 as of 22.05.1998)

Article 42. Using the name "stock exchange"

The name stock exchange or a name which has expression "stock exchange" or a similar expression can be used only in its business name or in purposes of business or usual advertisement only of an agency what was established in the order, defined by the article 33 of the Law.

CHAPTER 5. Additional measures for protection of interests of investors

Article 43. Dissolution of an agreement for subscription or purchase of securities during a public sale.

If during a public sale of securities the issuer is adjusting information about issuance of securities, that is contained in the prospectus of issuance, then the person who have subscribed or bought the securities can during fifteen days after publication of the new information can dissolve the agreement if they think that such adjustment can have a negative effect on rate (cost) of securities.

In case the agreement was dissolved by the purchaser, the issuer is responsible for reimbursement of expenses, and losses of investors related to subscription or purchase of securities. If the primarily published information of the prospectus of issuance of securities was later adjusted and then certified by a professional participant of equity market, then the latter is taking equal responsibility with the issuer towards investors. (Law of RT No 638 as of 22.05.1998)

If the actual sum of the subscription or the purchase of the securities was less than the sum declared by the issuer in the prospectus of issuance, then the persons who subscribed for or who have purchased the securities can during 15 days after the termination of term of subscription terminate the agreement, and the issuer is obliged to reimburse the investors sums of money received with put obligation to pay interests and compensation to pay possible expenses and losses. (Law of RT No 638 as of 22.05.1998)

In case the sum of subscription exceeds the sum of the one stated in the prospectus of issuance of securities, the issuer is obliged to reimburse the subscribers money to the tune of sum exceeding the size of stated issuance. The order of reimbursement of funds is described in the prospectus on issuance of securities. (Law of RT No 638 as of 22.05. 1998)

Article 44. reimbursement of losses caused by unreliable information about securities.

During the entire period of circulation of securities the issuer is responsible for reimbursement of losses caused to the investors through unreliable information on securities.

Article 45. Storage of funds received during a subscription for purchase of securities.

The issuer, if drawing on services of a professional equity market participant and a professional market participant are obliged to save the funds paid out during the subscription at a separate account until they complete the obligations provided in article 43 on reimbursement of funds or until it becomes obvious they don't have such obligations.

Article 46. Requirements towards owners of large holdings of shares

Any person acquiring more than 5 percent of total of the right-on-shares sold, during 5 days after the purchase is to inform about it the Ministry of Finances of the Republic of Tajikistan, stock exchanges dealing with such shares and also the issuer. Similar requirements are raised when this person acquires every additional 5 percents of shares of this issuer. (Law of RT as of 4.11.95, No 126)

Article 47. Shares belonging to executive management of the issuer

The management staff of the issuer enterprise (including also members of the supervisory board, and members of the administration), who issued shares through public sale have to inform the Ministry of Finances of the Republic of Tajikistan, the stock exchanges dealing with such shares and also the issuer enterprise about shares of this enterprise they possess and about all transactions of this shares. (Law of RT as of 4.11.95 No 126)

Article 48. Transactions of the issuer with own shares

Issuers of shares are to inform about transactions with own shares the Ministry of Finances of the Republic of Tajikistan and stock exchanges where transactions with these securities are carried out. (LKaw of RT as of 4.11.95 No 126)

Article 49. Proposals to purchase shares offered to all shareholders

Proposals to purchase shares offered to all shareholders including similar proposal from the issuer enterprise are to be regulated by rules established by the Ministry of Finances of the Republic Tajikistan. Similar proposal is to be made at a single for all shareholders price. (Law of RT as of 4.11.95 No 126)

Article 50. Compulsory purchase of shares

Any person intending to purchase more than 50 percent of right-on-vote shares of the issuer enterprise is to make a proposal to purchase all shares of this issuer offered to all shareholders.

Article 51. Suppression of unfair use of internal information

No person who has acquired due to his official position access to internal information related to the issuer or the securities and which can have an effect on market value of a security can not use this information for a self- profit or to transfer it to the third party, also can not counsel third party on transaction with securities based on this information.

Internal information is considered to be any information which is not publicly available, information about the issuer and securities issued by him, which creates an advantage for persons who have it due to their official position, job obligations or agreement concluded with the issuer compared to other participants of the equity market. (law of RT No 638 as of 22.05. 1998)

Article 52. Limitations on transactions with securities of persons who have access to internal information

Individuals who have access to internal information related to issuer enterprises, and also members of their families can acquire securities of these issuers only provided they will keep it not less than 6 months. Such persons are:

- a) management staff of the issuer enterprises (including members of the supervisory board and representatives of administration);
- b) employees of auditor firms inspecting this issuer enterprise;
- c) management staff and employees of the administration of Ministry of Finances of the Republic of Tajikistan, employees of administrations of state bodies, involved in work of this inspection, and also employees of agencies that have a license to act professionally with securities, with regards to all securities. (Law of RT as of 4.1.. 95 No 126)

CHAPTER 6. FINAL PROVISIONS

Article 53. Regulation transactions at an off-exchange equity market

Transactions at an off-exchange equity market are carried out within legislation of the Republic of Tajikistan. (Law of RT No 638 as of 22.05. 1998)

President of the Republic of Tajikistan

R.Nabiev

Dushanbe, March 10th 1992 No 522