

In the Name of Allah, the Beneficent, the Merciful
THE AFGHANISTAN BANK LAW

CHAPTER I	ESTABLISHMENT, OBJECTIVES AND TASKS OF DAB	1
.....
Article 1	Establishment.....	1
Article 2	Objectives and basic tasks.....	1
Article 3	Autonomy	2
Article 4	International cooperation	3
Article 5	Definitions.....	3
CHAPTER II	ORGANIZATION AND ADMINISTRATION.....	7
Article 6	Organization	7
Article 7	Composition of the Supreme Council	7
Article 8	Functions of the Supreme Council.....	7
Article 9	Powers of the Supreme Council.....	8
Article 10	Membership conditions of the Supreme Council.....	10
Article 11	Compensation of members of the Supreme Council.....	10
Article 12	Disqualification and removal of Supreme Council members.....	10
Article 13	Resignation of Supreme Council members	11
Article 14	Vacancy on the Supreme Council.....	11
Article 15	Meetings of the Supreme Council	11
Article 16	Proceedings, minutes and decisions of the Supreme Council	12
Article 17	Disclosure of interests	13
Article 18	Executive Board	13
Article 19	Powers of the Governor	13
Article 20	Membership of the Executive Board	14
Article 21	Comptroller General of Da Afghanistan Bank.....	15
Article 22	Staff.....	16

Article 23	Employees, and agents.....	16
Article 24	Recusal	16
Article 25	Conflicts of interest.....	16
Article 26	Secrecy.....	17
CHAPTER III FINANCIAL AFFAIRS		17
Article 27	Capital	17
Article 28	Calculation of net profit or net loss of Da Afghanistan Bank.....	18
Article 29	Allocation of net profit.....	18
Article 30	Allocation of net loss	19
Article 31	Coverage of shortfalls in capital.....	19
Article 32	Restrictions on allocation of net profit.....	20
CHAPTER IV PART I CURRENCY.....		20
Article 33	Legal Tender and monetary unit	20
Article 34	Issue of banknotes and coins	20
Article 35	Legal tender	21
Article 36	Currency features	21
Article 37	Currency production and safekeeping	21
Article 38	Currency exchange	22
Article 39	Unfit currency	22
Article 40	Currency inventory and issue plan	22
Article 41	Accounting treatment of currency issued.....	22
Article 42	Currency recall	23
Article 43	Public accounts and compulsory payments	23
Article 44	Sums mentioned in laws, valuation, and conversion	23
Article 45	Contracts	24
Article 46	Freedom of currency.....	24

Article 47	Enforcement of foreign currency payment obligations	24
Article 48	Counterfeit Money	25
Article 49	Making counterfeit money.....	26
Article 50	Possession of counterfeit money	26
Article 51	Melting coins	26
Article 52	Uttering	26
Article 53	Slugs and tokens	27
Article 54	Defacing or impairing.....	27
Article 55	Likeness of banknotes	28
Article 56	Instruments or materials	28
Article 57	Conveying instruments for coining out of mint.....	29
Article 58	Advertising and trafficking	29
Article 59	Special provisions as to proof	29
Article 60	Unauthorized issue of banknotes, coins, instruments, tokens.....	30
Article 61	Forfeiture	30
CHAPTER V MONETARY FUNCTIONS AND OPERATIONS.....		31
Article 62	Monetary policy.....	31
Article 63	Open market operations.....	31
Article 64	Required reserves of banks.....	31
Article 65	Failure to maintain required reserves.....	31
Article 66	Discount operations	32
Article 67	Loans	32
Article 68	Rates for discounts and loans	33
CHAPTER VI EXCHANGE RATE POLICY, FOREIGN EXCHANGE CONTROLS 33		
Article 69	General policy	33

Article 70	Responsibilities of Da Afghanistan Bank	33
Article 71	International clearing and payments agreements.....	34
Article 72	International reserve assets	34
Article 73	acquisition, holding and dispose of international reserves.....	35
Article 74	Limit on foreign exchange liabilities.....	35
Article 75	Foreign exchange dealers.....	35
CHAPTER VII RELATIONS OF DAB WITH THE STATE		36
Article 76	Banker, adviser and fiscal agent.....	36
Article 77	Consultations and reporting on public sector borrowing.....	36
Article 78	Depository and cashier for the state	37
Article 79	Fiscal agency function	37
Article 80	required Information	37
Article 81	Loans of Da Afghanistan Bank to the State.....	37
Article 82	Purchases of Government securities by Da Afghanistan Bank.....	37
CHAPTER VIII RELATIONS OF DAB WITH BANKS.....		38
Article 83	Licensing, regulation and supervision of banks	38
Article 84	Cooperation with foreign banks supervisors	38
Article 85	Bank accounts on the books	38
Article 86	Lender of Last Resort	38
CHAPTER IX PAYMENT, CLEARING AND SETTLEMENT.....		39
Article 87	Payment systems and payment system operators.....	39
Article 88	Payment system policy	40
Article 89	internal risks of system and settlement certainty	40
Article 90	Money services	41
Article 91	Miscellaneous	41

CHAPTER X SECURITIES SERVICES AND SECURITIES TRANSFER SYSTEMS 43

Article 92	Registration of securities services	43
Article 93	Exemptions from registration requirement.....	43
Article 94	Regulation, supervision and prudential standards.....	44
Article 95	Public offer and sale of securities restricted [Note – Original text numbers this paragraph "97".]	44
Article 96	Securities transfer systems.....	45
Article 97	Pyramid schemes prohibited	46
Article 98	Miscellaneous	46
Article 99	tasks	47

CHAPTER XI ACCOUNTS, FINANCIAL STATEMENTS, AUDIT AND REPORTS 47

Article 100	Financial year.....	47
Article 101	Accounting practices.....	47
Article 102	Financial statements.....	48
Article 103	Audit of accounts.....	48
Article 104	Transmittal and publication of statements and reports	48
Article 105	Reporting on monetary policy	48

CHAPTER XII COMMISSION FOR SETTLING FINANCIAL DISPUTES 49

Article 106	Commission	49
Article 107	Jurisdiction of the Commission	49
Article 108	Composition of the Commission.....	50
Article 109	Registration of assets and non participation in dispute resolution	50
Article 110	Obligations of professional members of the commission	51
Article 111	Venue and rules of procedure of the Commission	51
Article 112	Summons	51

Article 113	Decisions of the Commission	51
Article 114	Objection to decisions and orders	52
CHAPTER XIII MISCELLANEOUS PROVISIONS		53
Article 115	Preferential right	53
Article 116	Prohibited activities.....	53
Article 117	Collection of statistical information.....	54
Article 118	Immunities	55
Article 119	Standards of good administration	56
Article 120	Trust accounts.....	56
Article 121	Unlicensed and unregistered persons	57
Article 122	Violations	57
Article 123	imposing regulations	57
CHAPTER XIV TRANSITIONAL PROVISIONS		58
Article 124	execution of contracts and transactions.....	58
Article 125	Commercial banking services	58
Article 126	Independent auditing commission	58
Article 127	Foreign accounts maintained for state enterprises	59
Article 128	Relicensing	59
Article 129	Nominee of Minister of Finance on Supreme Council	59
Article 130	Citizenship suspended.....	59
Article 131	Deferred enactment of Articles relating to political activities	59
Article 132	Gradual introduction of prudential requirements	59
Article 133	Provision regarding appointments to Supreme Council	60
Article 134	Entry into force	60

In the Name of Allah, the Beneficent, the Merciful

THE AFGHANISTAN BANK LAW

CHAPTER I ESTABLISHMENT, OBJECTIVES AND TASKS OF DAB

Article 1 Establishment

- 1.1 Da Afghanistan Bank is the central bank of Afghanistan.
- 1.2 Da Afghanistan Bank is a juridical person with full capacity under the law, may conclude the relevant contracts, acquire and dispose of movable and immovable property, and issue its relevant securities and otherwise borrow, and be a party to legal proceedings.
- 1.3 Da Afghanistan Bank shall have its head office in Kabul. Da Afghanistan Bank may establish branch offices, representative offices [and] liaison offices, and may appoint agents and correspondents, at such locations in Afghanistan or abroad and with such functions and duties as it shall determine.

Article 2 Objectives and basic tasks

- 2.1 The primary objective of Da Afghanistan Bank shall be to achieve and to maintain domestic price stability.
- 2.2 The other objectives of Da Afghanistan Bank, which shall be subordinated to the primary objective of Da Afghanistan Bank, shall be to foster the liquidity, solvency and effective functioning of a stable market based financial system, and to promote a safe, sound and efficient national payment system.

Without prejudice to its primary objectives, Da Afghanistan Bank shall support the general economic policies of the State, and promote sustainable economic growth.

The basic tasks of Da Afghanistan Bank for which Da Afghanistan Bank shall be responsible are:

- 1) to formulate, adopt and execute the monetary policy of Afghanistan;
- 2) to formulate, adopt and execute the foreign exchange policy and exchange arrangements of Afghanistan;
- 3) to hold and manage the official foreign exchange reserves of Afghanistan;
- 4) to print and issue Afghanistan's banknotes and metal coins;

- 5) to act as banker and adviser to, and as fiscal agent of, the State;
- 6) to issue or register the license and to regulate and supervise banks, foreign exchange dealers, money service providers, payment system operators, securities service providers, securities transfer system operators and such other persons as shall be submitted to its oversight in accordance with the law;
- 7) to establish, maintain and promote sound and efficient systems for payments, for transfers of securities issued by the State or Da Afghanistan Bank, and for the clearing and settlement of payment transactions and transactions in such securities.

Article 3 Autonomy

- 3.1 In carrying out its tasks, Da Afghanistan Bank shall enjoy thorough legal powers, including those to pass regulations to facilitate [orderly] electronic transactions between Da Afghanistan Bank and banks and their respective customers. Da Afghanistan Bank shall maintain a public register of such regulations, guidelines and instructions.
- 3.2 Da Afghanistan Bank shall be empowered to enter the offices and examine the accounts, books, documents and other records of any bank, foreign exchange dealer, payment system operator, money service provider, securities service provider, securities transfer system operator or other person who is licensed in accordance with this law and is registered with or by Da Afghanistan Bank, and to obtain such information from such person as Da Afghanistan Bank shall deem necessary for the [proper] discharge of its supervisory responsibilities.
- 3.3 Da Afghanistan Bank shall, in accordance with this law, be entirely independent in the pursuit of its objectives and no person shall seek to exercise improper influence on members of the decision-making bodies of Da Afghanistan Bank in the performance of their tasks or interfere in any other way in the activities of Da Afghanistan Bank.
- 3.4 Each member of the Supreme Council and the Executive Board and each other employee of Da Afghanistan Bank shall have the duty to promote the reputation of Da Afghanistan Bank as a completely autonomous central bank serving all people [of Afghanistan] with impartiality, and shall refrain from any activity that is incompatible with that duty.
- 3.5 While serving [in the supreme council], members of the supreme council of Da Afghanistan Bank shall not engage in political activities.

Article 4 International cooperation

- 4.1 Da Afghanistan Bank shall represent Afghanistan in all inter-governmental meetings, councils and organizations concerning monetary policy, licensing and supervision of banks and other persons submitted by law to its oversight, and the other matters that are within its competence.
- 4.2 Da Afghanistan Bank may provide banking services for the benefit of foreign governments, foreign central banks and monetary authorities, and for the benefit of international organizations in which it or Afghanistan participates.
- 4.3 Da Afghanistan Bank may through international monetary cooperation obtain membership in international organizations that pursue financial and economic stability.
- 4.4 As agent [of Afghanistan], Da Afghanistan Bank may undertake responsibilities and perform transactions concerning the participation of Afghanistan in international organizations.

Article 5 Definitions

Wherever used in this Law, the following terms shall have the following meanings:

- 5.1 "bank" means a legal person engaging in the business and receiving of money deposits or other repayable funds from the public for the purpose of making credits or investments for his own account;
- 5.2 "check cashing" means receiving compensation for taking payment instruments or stored value, other than traveler's checks, in exchange for money, payment instruments, or stored value delivered to the person delivering the payment instrument or stored value;
- 5.3 "commodity" means a currency, metal, agricultural product, [basket of] commodities, and any other asset declared to be a commodity by the relevant legislation;
- 5.4 "currency exchange" means receipt of revenues from the exchange of money of one country for money of another country;
- 5.5 "debt security" means any negotiable instrument of indebtedness and any other instrument equivalent to such instrument of indebtedness, and any negotiable instrument which gives the right to receive another negotiable debt security through subscription or exchange. Debt security may also be in book-entry form;

- 5.6 “derivative” means any negotiable forward contract, futures contract, option contract and other contractual instrument that entitles its holder:
- to acquire a security or a basket of securities or commodities; [or]
 - to receive a cash amount determined by reference to a future price or value of a security or a commodity, or by reference to a future price or value of a basket of securities or commodities;
 - to receive a cash amount determined by reference to an interest rate or a foreign exchange rate or an index of prices or values of interest rates, foreign exchange rates, securities or commodities;
- 5.7 “financial market” means any monetary market where securities are traded and the activities connected with such market are carried out;
- 5.8 “foreign currency” [and “foreign exchange”] mean:
- the money of a country other than Afghanistan,
 - a monetary unit of account which is established by an intergovernmental organization or by agreement between two or more countries,
 - gold if sold as bullion or specie, not including a significant increment of workmanship.
- 5.9 "current" means current money in the country or elsewhere.
- 5.10 “banknote” includes any instrument [intended to be] used as money or as the equivalent of money, issued under lawful authority in the country or elsewhere;
- 5.11 “foreign exchange dealer” means any person who engages in the business of buying and selling foreign currencies, forward exchange contracts, options, payment in foreign currencies, swaps or other derivative contracts involving a foreign currency transaction.
- 5.12 “forward contract” means a contract for future receipt of a debt security or a commodity with a specified price;
- 5.13 “futures contract” means a forward contract that is traded with standardized terms and conditions in a financial market;
- 5.14 “investment fund” means a company that invests in securities by receiving funds from the public;

- 5.15 “International Accounting Standards” means the most recent international accounting standards issued by the International Accounting Standards Committee;
- 5.16 "monetary value" means a medium of exchange, whether /or not redeemable in money;
- 5.17 "money" means a medium of exchange that is authorized and adopted by Afghanistan or another country; the term includes a monetary unit of account established by an intergovernmental organization or by agreement between two or more countries;
- 5.18 “money service” means any service conducted in relation to money including safekeeping, money transmission, check cashing, or currency exchange;
- 5.19 “money service provider” means any person who engages in the business of providing a money service;
- 5.20 "money transmission" means selling or issuing payment instruments, stored value, or receiving money or monetary value for transmission; the term does not include the provision solely of physical delivery, online or telecommunications services, or network access;
- 5.21 “negotiable” with respect to a financial instrument means that the title to that instrument may be transferred by delivery of the instrument or by [signed] endorsement written on the instrument or by entry in a register of owners of such instrument;
- 5.22 “option contract” means a contract the holder of which has the right to buy (call) or to sell (put) on an optional basis a security or commodity against payment of an agreed price until a specified date, during its term of validity;
- 5.23 "payment instrument" means a check, draft, money order, traveler's check, or other instrument for the transmission or payment of money or monetary value, whether or not negotiable; a credit card voucher, letter of credit, or instrument that is redeemable by the issuer in goods or services shall be an exception from this rule.
- 5.24 “payment system” means any procedures, including communication networks, agreed between three or more money service providers for the processing of payments , the clearing or settlement of payment transactions, and for the exchange of payments against other payments, financial obligations or securities, in any currency;
- 5.25 “payment system operator” means any person who operates a payment system;

- 5.26 “person” means any natural person, [and/] or any legal person,
- 5.27 "record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form;
- 5.28 “security” means a negotiable financial instrument (whether in the form of a certificate or in book-entry form) of one of the following categories:
- shares, or certificates or receipts in respect of shares;
 - debt securities, whether or not convertible into shares;
 - derivatives;
 - shares or participation units in investment funds;
 - any other negotiable financial instrument declared to be a security by regulation of Da Afghanistan Bank;
- 5.29 “securities service” means any of the services listed in Article 94
- 5.30 “securities service provider” means any person who provides a securities service;
- 5.31 “securities transfer system” means any procedures, including communication networks, agreed between three or more securities service providers for the transfer of securities, for the clearing or settlement of transactions in securities, against payments in other securities or in cash;
- 5.32 “securities transfer system operator” means any person who operates a securities transfer system;
- 5.33 "Commission for settling financial disputes" means the Commission for settling financial disputes mentioned in Article 108 of this law.
- 5.34 “share” means any share of capital stock or other equity security issued by a corporation;
- 5.35 "State agency" means any administrative or political subdivision, agency or any enterprise owned controlled by that State of Afghanistan or by any State agency;
- 5.36 "stored value" means monetary value that is evidenced by an electronic record.

CHAPTER II ORGANIZATION AND ADMINISTRATION

Article 6 Organization

Da Afghanistan Bank shall have a Supreme Council as its highest policy and decision making body, a Governor charged with the management of Da Afghanistan Bank, a Comptroller General responsible for the internal control and audit of the operations of Da Afghanistan Bank, and other related staff.

Article 7 Composition of the Supreme Council

7.1 The Supreme Council of Da Afghanistan Bank shall be composed of seven members, as follows:

- 1) Governor as Chairman of the Supreme Council
- 2) First Deputy Governor as Vice Chairman of the Supreme Council
- 3) Five other members.

7.2 [All] members of the Supreme Council shall be appointed by the President of Afghanistan with the consent of the parliament of Afghanistan.

7.3 The term of each member of the Supreme Council shall be five years, except that, the completion dates of the initial terms of members appointed under this law shall be spread, as far as possible, evenly over a five year period. Supreme Council members shall be eligible for reappointment, unless a ground for removal under Article 12 would apply to them.

Article 8 Functions of the Supreme Council

8.1 The Supreme Council shall be charged with the adoption of the principal policies of Da Afghanistan Bank and the supervision of the administration and operations of Da Afghanistan Bank.

8.2 In carrying out its functions, the Supreme Council must periodically assess the monetary and economic situation. To that end, the Executive Board shall report, not less than once every calendar quarter, to the Supreme Council on:

- 1) the administration and operations of Da Afghanistan Bank;
- 2) the conduct of its monetary and regulatory policies (including domestic price stability policy);

- 3) the soundness of the financial system including in particular the banking and payment systems of Afghanistan;
- 4) the state of the money, capital and foreign exchange markets,
- 5) [and] the events and conditions that have a significant effect on the administration or operations, the conduct of its policies, the financial system of Da Afghanistan Bank or the before mentioned markets.

The Comptroller General shall present to the Supreme Council such reports and studies as the Supreme Council shall request for the supervision of the administration or operations of Da Afghanistan Bank.

The Governor shall ensure that the Supreme Council shall timely receive all such information as the Supreme Council shall require for the supervision of the administration or operations of Da Afghanistan Bank.

Article 9 Powers of the Supreme Council

The Supreme Council shall have the following powers:

- 9.1 to formulate and adopt the monetary policy of Afghanistan, including the limits of open market operations by Da Afghanistan Bank, the interest rates for discounts and loans by Da Afghanistan Bank, and the types and levels of reserves that banks are required to maintain;
- 9.2 to formulate and adopt the foreign exchange policy;
- 9.3 to adopt all applicable regulations, guidelines and instructions that are to be presented by Da Afghanistan Bank pursuant to this Law or other legislation in force in the country;
- 9.4 to approve [all] reports and recommendations that Da Afghanistan Bank is to make to the government or the parliament of Afghanistan;
- 9.5 to decide on the participation by Da Afghanistan Bank in international organizations;
- 9.6 to determine the face value and design of banknotes and coins, and the conditions of any currency recall;
- 9.7 to decide on debt securities of Da Afghanistan Bank and the terms and conditions of such securities;
- 9.8 to determine the categories of assets [that shall be suitable] for investment of the foreign exchange reserves and other resources of Da Afghanistan Bank;

- 9.9 to approve the discounting by Da Afghanistan Bank of instruments having a maturity of more than three months from the date of their acquisition by Da Afghanistan Bank;
- 9.10 to approve, with the consent of [at least] three-fifths of the members of the Supreme Council [present], each loan and each guarantee or other contingent commitment of Da Afghanistan Bank to a bank pursuant to Article 86 of this law;
- 9.11 to adopt the procedures of Da Afghanistan Bank and the regulations applicable to the administration and operations of Da Afghanistan Bank;
- 9.12 to determine the organization of Da Afghanistan Bank;
- 9.13 to approve the appointment of the Deputy Governors (other than the First Deputy Governor) and the Comptroller General of Da Afghanistan Bank, and to approve subsequent service at another financial institution by the Governor and the First Deputy Governor upon completion of their service in DAB;
- 9.14 to establish and close subsidiaries, branch offices and agencies of Da Afghanistan Bank;
- 9.15 to decide on the purchase, construction, utilization and sale of buildings and other property by Da Afghanistan Bank;
- 9.16 to determine the budget of Da Afghanistan Bank and the terms and conditions of employment, work , pensions of the employees, and agents of Da Afghanistan Bank other than the members of the Supreme Council;
- 9.17 to propose increases in the authorized capital of Da Afghanistan Bank;
- 9.18 to determine the accounting procedures and the financial risk management policies of Da Afghanistan Bank;
- 9.19 to adopt the annual reports and financial statements of Da Afghanistan Bank;
- 9.20 to decide on the depreciation of assets and the rate of depreciation of assets of Da Afghanistan Bank, to establish special reserves on the books of Da Afghanistan Bank, to determine the net income of Da Afghanistan Bank, and to decide what amount of such net income shall be transferred to any reserve; [and]
- 9.21 such other powers as shall be granted to the Supreme Council by this law.

Article 10 Membership conditions of the Supreme Council

Any person appointed to serve as a member of the Supreme Council shall fulfill the following conditions:

- 10.1 he shall be a citizen of Afghanistan;
- 10.2 he shall be a person of recognized integrity;
- 10.3 He shall have a degree of higher education or extensive work experience preferably in economics, banking or law;
- 10.4 He has not been disqualified from serving in the Supreme Council pursuant to Article 12;
- 10.5 he is not an employee of Da Afghanistan Bank other than the Governor or the First Deputy Governor;
- 10.6 He shall not be a member of the board of supervisors or another financial institution in any form.
- 10.7 He shall not be under the supervision of Da Afghanistan Bank by law.
- 10.8 He shall not be a member of the council of ministers, a Member of Parliament, or other high ranking official of the state.

Article 11 Compensation of members of the Supreme Council

The Governor, the First Deputy Governor and the other members of the Supreme Council shall be appointed by a decree of the President of Afghanistan; once such members have been appointed or reappointed to a term, their compensation and other emoluments may not be reduced during the term of appointment.

Article 12 Disqualification and removal of Supreme Council members

- 12.1 The Governor, the First Deputy Governor, and any other member of the Supreme Council, of Da Afghanistan Bank shall be suspended or removed from office by the President of Afghanistan, if he:
 - 1) becomes ineligible pursuant to Article 10 of this law;
 - 2) has been convicted of an offense for which he was or could have been sentenced to imprisonment, unless such conviction was motivated by his religious or political views or activities;
 - 3) has been declared bankrupt or unable to pay his debts by a court decision;

- 4) has served during the immediately preceding five years as an administrator or officer of a company that has been subject to conservatorship or receivership;
 - 5) has, on grounds of personal misconduct, been removed or suspended by a competent authority from duty;
 - 6) has been unable to perform the functions of his office for more than six months because of an infirmity of body or mind;
 - 7) has been absent without good cause from two or more successive meetings of the Supreme Council of Da Afghanistan Bank held during the most recent period of twelve months; [or]
 - 8) During membership of the supreme council has engaged in significant violations of any duty imposed by the law, or has engaged in political activities, or has engaged in serious misconduct in the office, substantially prejudicing the interests of Da Afghanistan Bank.
- 12.2 No member of the Supreme Council shall be suspended or removed from office on any ground other than those provided for in paragraph 1 of this Article.
- 12.3 No member of the Supreme Council shall be suspended or removed from office before a hearing has been held by the President of Afghanistan where such member or his legal representative has presented his reasons.

Article 13 Resignation of Supreme Council members

The chair and deputy chairperson of Supreme Council may resign from office on giving not less than three months' notice in writing to the President of Afghanistan, or such shorter period of time as the President may agree. Any other member of the Supreme Council may resign on giving not less than one month's notice in writing to the President of Afghanistan, or such shorter period of time as the President may agree.

Article 14 Vacancy on the Supreme Council

Any vacancy on the Supreme Council shall be filled by the appointment of a new member of the Supreme Council in accordance with Article 9 to serve the remaining period of the term of the Supreme Council member replaced.

Article 15 Meetings of the Supreme Council

- 15.1 The Governor, or, in his absence or inability to vote, the First Deputy Governor, must chair the meetings of the Supreme Council.

- 15.2 The Supreme Council shall meet once each three months or more frequently when needed.
- 15.3 [Normally,] meetings of the Supreme Council are convened by a decision of the Governor. Meetings of the Supreme Council may also be convened at the written request of any three members of the Supreme Council.
- 15.4 The meetings of the Supreme Council shall be convened by effectively communicating the time, venue and agenda of the meeting to all members of the Supreme Council at least ten working days before the date set for the meeting.
- 15.5 Each member of the Supreme Council shall have one vote. A quorum at any meeting of the Supreme Council shall consist of the presence of two thirds or more of the membership of the Supreme Council, including the presence of the Governor or the First Deputy Governor.
- 15.6 Except as otherwise provided by this Law, decisions of the Supreme Council shall be adopted by a simple majority of the votes cast by the members of the Supreme Council who are present at the meeting. Only members of the Supreme Council who are present in person shall have the right to vote; provided, however, that the relevant procedures of Da Afghanistan Bank may permit meetings of the Supreme Council through voting by teleconferencing or in exceptional circumstances by tested telex or other tested electronic means of communication. In the event of a tie, the Chairman of the meeting shall have the casting vote.
- 15.7 Subject to the quorum requirement of paragraph 5, no decisions of the Supreme Council shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Supreme Council.
- 15.8 All acts done by a person acting in good faith as Chairman or other member of the Supreme Council shall be valid notwithstanding that some defect in his appointment, eligibility, or qualification be afterwards discovered.

Article 16 Proceedings, minutes and decisions of the Supreme Council

- 16.1 The proceedings of the meetings of the Supreme Council shall be confidential. The Supreme Council may declare to make the outcome of all or part of its deliberations public.
- 16.2 There shall be minutes of each Supreme Council meeting signed by the person chairing the meeting, and by the Secretary of the Supreme Council.
- 16.3 The Secretary of the Supreme Council shall be appointed by the Governor from among the senior staff of Da Afghanistan Bank; he shall not be a member of the Supreme Council.

- 16.4 Decisions of the Supreme Council shall be recorded and issued to the relevant bodies over the signature of the Chairman presiding at the Supreme Council meeting that adopted the decision.

Article 17 Disclosure of interests

- 17.1 Each member of the Supreme Council and the Executive Board, Deputy Governor and officer of Da Afghanistan Bank shall, upon his appointment to Supreme Council and annually thereafter, declare to the Supreme Council of Da Afghanistan Bank [in full] the direct and indirect business interests that he or members of his household may have, in compliance with adopted regulations.
- 17.2 No act or proceeding of the Supreme Council or of Da Afghanistan Bank shall be questioned as to its validity on the ground of noncompliance with Article 24 or with Section 1 of this Article.

Article 18 Executive Board

- 18.1 The Executive Board, shall be responsible for all matters concerning the administration and operations of Da Afghanistan Bank that are not assigned by this Law to the Supreme Council or to the Comptroller General. The members of the executive board shall each perform the duties of their office with due diligence and efficiency.
- 18.2 Upon taking office, each member of the Executive Board shall take an oath that he shall protect the confidentiality of the administration and operations of Da Afghanistan Bank and perform the duties assigned to him/her with due diligence and efficiency.
- 18.3 If the Governor is absent or otherwise unable to act, the First Deputy Governor shall carry out the functions of the Governor and exercise all the powers of the Governor.
- 18.4 The Governor shall be responsible to the Supreme Council for the execution of decisions of the Supreme Council and for the direction and control of the administration and operations of Da Afghanistan Bank.

Article 19 Powers of the Governor

- 19.1 All powers that are not specifically reserved for the Supreme Council or the Comptroller General shall be vested in the Governor. Within the limitation of his powers, the Governor shall have the authority to take all actions required for the administration or operations of Da Afghanistan Bank.
- 19.2 The Governor, with the approval of the Supreme Council, may delegate some or all of his powers to one or more other members of the Executive

Board other eligible employees or agents of Da Afghanistan Bank. Da Afghanistan Bank shall maintain an up-to-date list of its authorized signatories together with a description of their authority and make the list available to the public upon request.

Article 20 Membership of the Executive Board

20.1 The Executive Board of Da Afghanistan Bank shall consist of the Governor, the First Deputy Governor, the Comptroller General, and such Deputy Governors as the Supreme Council shall appoint from candidates proposed for appointment by the Governor. Deputy Governors, other than the First Deputy Governor shall be appointed upon the approval of the Supreme Council.

20.2 Any person who serves as Governor, Deputy Governor or Comptroller General of Da Afghanistan Bank shall:

- 1) be a citizen of Afghanistan;
- 2) enjoy recognized integrity;
- 3) have a degree of higher education or extensive work experience preferably in economics, banking or law;
- 4) not be [disqualified from serving] pursuant to paragraph 3 of this Article;
- 5) not be an officer or a full time or part time employee, with or without remuneration, of a bank or other financial institution submitted by law to oversight by Da Afghanistan Bank;
- 6) not be a member of the council of ministers, member of parliament or other high ranking official of the state.

20.3 A Deputy Governor other than the First Deputy Governor or a Comptroller General of Da Afghanistan Bank shall be suspended or removed from office by the Supreme Council if he:

- 1) becomes ineligible to serve pursuant to paragraph 2 of this Article;
- 2) has been convicted of an offense to the punishment of which is imprisonment, unless such conviction was motivated by his religious or political views or activities;
- 3) has been declared bankrupt or unable to pay his debts by a court decision;
- 4) has served during the immediately preceding five years as a member of the executive board, or as an authorized officer or administrator of a company that has been subject to conservatorship or receivership;

- 5) has, on grounds of personal misconduct, been disqualified or suspended by a competent authority from practicing a profession;
 - 6) has been unable to perform the functions of his office because of an infirmity of body or mind that has lasted for more than six months;
 - 7) has engaged in significant violations of the law or in negligence from any duty imposed by the law, or has engaged in serious misconduct in the office, substantially prejudicing the interests of Da Afghanistan Bank.
- 20.4 No such Deputy Governor or Comptroller General of Da Afghanistan Bank shall be suspended or removed from office on a ground other than those mentioned in paragraph 3 of this Article.
- 20.5 No Deputy Governor or Comptroller General of Da Afghanistan Bank shall be suspended or removed from office before a hearing has been held by the President of Afghanistan where such Deputy Governor or Comptroller General or his legal representative has presented his reasons.
- 20.6 Each Deputy Governor and the Comptroller General of Da Afghanistan Bank may resign from office on giving notice in writing to the Governor of not less than three months or such shorter period of time as the Governor may agree.

Article 21 Comptroller General of Da Afghanistan Bank

- 21.1 A Comptroller General of Da Afghanistan Bank shall be appointed for a term of five years by the Supreme Council, from candidates who are professionally qualified accountants and who are not ineligible to serve as Comptroller General pursuant to Article 20, paragraph 2. He shall be eligible for reappointment.
- 21.2 The Comptroller General shall head the Audit Department of Da Afghanistan Bank.
- 21.3 The staff of the Audit Department shall be appointed and dismissed by the Governor with the proposal of the Comptroller General.
- 21.4 The Comptroller General and the Audit Department shall have the duty:
- 1) to establish and maintain appropriate risk management procedures and instruments for Da Afghanistan Bank and to supervise their use;
 - 2) to perform continuous audits of the administration and operations of Da Afghanistan Bank, in order to supervise observance of the laws and regulations that apply to Da Afghanistan Bank;

- 3) to audit, and to submit to the Supreme Council reports and recommendations on, the accounts and records as well as the accounting procedures and controls and budgets of Da Afghanistan Bank;
- 4) to audit regularly the financial statements and related documents of Da Afghanistan Bank and, if these have been properly prepared, to issue certifications to that effect;
- 5) to monitor the proper implementation of the decisions of the Supreme Council and the Governor; [and]
- 6) to carry out any other assignment and duty given [to the Comptroller General] by the Supreme Council or the Governor.

Article 22 Staff

- 22.1 During their employment by Da Afghanistan Bank, the authorities and staff of Da Afghanistan Bank shall not be employed by, or receive credit from, any bank or other financial institution submitted to the oversight by Da Afghanistan Bank, unless Da Afghanistan Bank shall otherwise decide.
- 22.2 The Supreme Council shall adopt a regulation in order to better regulate the employees' work and employment conditions at Da Afghanistan Bank.

Article 23 Employees, and agents

- 23.1 The Executive Board shall appoint and terminate the appointment of the employees and agents of Da Afghanistan Bank, in accordance with the relevant legislation.
- 23.2 No salary, fee, wage, or other remuneration or allowance paid by Da Afghanistan Bank shall be computed by reference to net profit or other revenues of Da Afghanistan Bank.

Article 24 Recusal

Whenever any matter under Article 17 comes up for discussion in the Supreme Council or the Executive Board, the member concerned shall disclose his interest at the beginning of the discussion and shall not participate in the discussion and decision on such matter, and his presence shall not be necessary for the purpose of constituting a quorum.

Article 25 Conflicts of interest

- 25.1 The Governor, the Deputy Governors and the Comptroller General of Da Afghanistan Bank shall devote the whole of their professional services to Da Afghanistan Bank, and none of them shall occupy any other office or

employment, whether remunerated or not, except as nominee or agent of Da Afghanistan Bank.

- 25.2 No former Governor, Deputy Governor or Comptroller General of Da Afghanistan Bank shall serve another financial institution during a period of one year following their departure from Da Afghanistan Bank, without the prior written approval of the Supreme Council.
- 25.3 No member of the staff of Da Afghanistan Bank shall simultaneously have other employment, whether gainful or not, without the prior written approval of Da Afghanistan Bank.
- 25.4 No Governor, Deputy Governor, officer or member of the staff of Da Afghanistan Bank shall accept any gift or credit for himself, or on behalf of any person with whom he has family, business or financial connections, if the acceptance thereof would result, in diminishing his impartial devotion to his duties.

Article 26 Secrecy

No person who serves or has served as a member of the Supreme Council, Executive Board, or as a Governor, officer or other member of the staff, or as an agent, of Da Afghanistan Bank shall:

- 26.1 permit access to, disclose or publicize nonpublic material information which he has obtained in the performance of his official duties except when lawfully required to do so by any court of law or pursuant to any law or pursuant to any cooperative agreement with a foreign regulator; [or] **[Note – Original text numbers this paragraph "A".]**
- 26.2 use such information, or allow such information to be used by another person, for personal gain. **[Note – Original text numbers this paragraph "B".]**

CHAPTER III FINANCIAL AFFAIRS

Article 27 Capital

- 27.1 The authorized capital of Da Afghanistan Bank shall be Eight Billion Afghanis, or such an amount as shall be determined by an independent inquiry into the assets and the liabilities of Da Afghanistan Bank pursuant to Article(130), or such higher amount as shall result from allocations from net profits pursuant to Article 29.
- 27.2 The capital of Da Afghanistan Bank shall belong to the State, and shall not subject to lien or to encumbrance.

Article 28 Calculation of net profit or net loss of Da Afghanistan Bank

For each financial year, the net profit or the net loss of Da Afghanistan Bank shall be calculated in accordance with International Accounting Standards as the sum of net operating revenues or losses (including realized gains and losses) and net unrealized valuation gains or losses, and after making provision:

- 28.1 for bad and doubtful debts, depreciation of assets, and contributions to the staff retirement fund; [and]
- 28.2 subject to the approval of the Minister of Finance, for such other purposes as Da Afghanistan Bank may deem necessary.

Article 29 Allocation of net profit

29.1 If Da Afghanistan Bank has a net profit for any financial year, the net profit shall be allocated in the following order of priority:

- 1) an allocation from net profit shall be made to the capital account of Da Afghanistan Bank in such amount as shall be required to increase the authorized capital of Da Afghanistan Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities shown on the balance sheet of Da Afghanistan Bank for the end of that financial year;
- 2) an allocation from net profit shall be made to redeem the securities issued by the State to Da Afghanistan Bank pursuant to Article 31 and held by Da Afghanistan Bank;
- 3) an allocation from net profit shall be made to the General Reserve maintained by Da Afghanistan Bank in such amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of Da Afghanistan Bank; the General Reserve may only be used to offset losses of Da Afghanistan Bank;
- 4) an allocation from net profit shall be made to any other reserve for specific purposes established by Da Afghanistan Bank subject to the approval of the Minister of Finance; [and]
- 5) any residual net profit remaining after the preceding allocations shall be allocated in accordance with the following: the preceding allocations from net profit shall be calculated as if made from net operating revenues, except that, if no operating revenues are included in net profit or after the preceding allocations have exhausted net operating revenues included in net profit, such allocations shall be calculated as if made from net unrealized valuation gains; any residual net operating revenues shall be transferred to the State within four months after the end of the financial year, and residual net unrealized valuation gains if any shall be allocated

to a Valuation Reserve Account maintained on the balance sheet of Da Afghanistan Bank.

29.2 For the purposes of this Law, the aggregate amount of the monetary liabilities of Da Afghanistan Bank shall be at any time the sum of:

- 1) all outstanding banknotes, coins and debt securities issued by Da Afghanistan Bank; and
- 2) the credit balances of all accounts maintained on the books of Da Afghanistan Bank by account holders.

Article 30 Allocation of net loss

If Da Afghanistan Bank incurs a net loss for any financial year, the net loss shall be allocated as follows:

30.1 if the net loss is composed of net operating losses and net unrealized valuation losses, the amount of net operating losses shall be charged to the general reserve or to capital in that order, and the amount of net unrealized valuation losses shall be allocated to the Valuation Reserve Account or, to the extent that the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or to capital in that order;

30.2 if the net loss is the sum of net operating revenues and greater net unrealized valuation losses, the net loss shall be allocated to the Valuation Reserve Account or, to the extent that the balance of the Valuation Reserve Account would be negative as a result of such allocation, to the general reserve or to capital in that order; [or]

30.3 if the net unrealized valuation gain is less than the net operating loss, the net loss shall be charged to the general reserve or to capital in that order.

Article 31 Coverage of shortfalls in capital

31.1 This article applies whenever for Da Afghanistan Bank:

- 1) on one of its monthly pro forma balance sheets prepared pursuant to Article 74 the value of its assets falls below the sum of its liabilities and unimpaired authorized capital, [or]
- 2) its net profit at the end of any financial year is insufficient to increase its authorized capital to 5% of the aggregate amount of liabilities mentioned in Article 29.1.1 & 29.2 of this law as shown in its accounts at the end of the financial year.

- 31.2 If the circumstances outlined in paragraph 1 occur, and:
- 1) if the last official measure of the annual inflation rate is within the band of 3% to 20% , the Minister of Finance shall, within one month after submission of that balance sheet to him, deliver to Da Afghanistan Bank marketable debt securities, denominated in afghanis, issued by the State and bearing interest at market rates, in such amount or amounts as shall be necessary to remedy this deficit. This inflation band shall be re-evaluated every three years.
 - 2) if the last official measure of the annual inflation rate is not within the band of 3% to 20% , the Minister of Finance shall first seek an allotment [appropriation?] under the government’s budget allotment process. If the appropriation is not approved, then the Minister of Finance shall, within one month after submission of that balance sheet to him, deliver to Da Afghanistan Bank marketable debt securities, denominated in afghanis, issued by the State and bearing interest at market rates, in such amount or amounts as shall be necessary to remedy this deficit. **[Note – Original text numbers this paragraph "A".]**
- 31.3 If the circumstances outlined in paragraph 1 occur, the Parliament may convene an inquiry commission with national and international experts to investigate the causes for the condition, and if appropriate, make recommendations. The inquiry commission shall receive the full cooperation of Da Afghanistan Bank. Failure to provide full cooperation, the provisions of Article 12 paragraph 1 subparagraph (h) shall apply.

Article 32 Restrictions on allocation of net profit

No transfer, redemption or payment pursuant to Article 29 shall be made if, as a result thereof, the assets of Da Afghanistan Bank would be less than the sum of its liabilities and unimpaired capital and reserves.

CHAPTER IV PART I CURRENCY

Article 33 Legal Tender and monetary unit

The currency of Afghanistan and its monetary unit is the afghani, the symbol of which shall be “Af.”

Article 34 Issue of banknotes and coins

- 34.1 Da Afghanistan Bank shall have the exclusive right to issue banknotes and coins intended for circulation in Afghanistan.

- 34.2 Banknotes issued under this Article shall be a first charge on the assets of Da Afghanistan Bank.
- 34.3 Da Afghanistan Bank shall make adequate arrangements for the issue of its banknotes and coins at its head office and at its branch offices and agencies in Afghanistan, and supply those banknotes and coins as required for circulation in Afghanistan.
- 34.4 Banknotes and coins issued by Da Afghanistan Bank and intended for circulation in Afghanistan are not promissory notes, bills of exchange, or any other type of commercial documents under the Law of Commerce, and Da Afghanistan Bank is obligated on and with respect to them only as provided by this Chapter.

Article 35 Legal tender

- 35.1 A tender of payment of money is a legal tender if made in banknotes or coins. Banknotes and coins shall be accepted, for the amount of their denomination in the currency of Afghanistan, in payment of all public and private debts in Afghanistan.
- 35.2 Da Afghanistan Bank may limit the amount that may be paid by banknotes and coins and restrict the denomination of banknotes and coins in which a payment can be made in specified amounts.
- 35.3 In this Article, any reference to banknotes or coins is to banknotes or coins intended for circulation in Afghanistan, issued pursuant to this Chapter by Da Afghanistan Bank, that have not been demonetized.

Article 36 Currency features

- 36.1 Any reference to banknotes or coins, is to banknotes or coins intended for circulation in Afghanistan, issued or to be issued pursuant to this Chapter by Da Afghanistan Bank.
- 36.2 Da Afghanistan Bank shall determine by regulation the denomination, measures, form, material, content, weights, designs, and other features of banknotes and coins. Banknotes shall bear the signature of the Governor of Da Afghanistan Bank and the Minister of Finance.

Article 37 Currency production and safekeeping

Da Afghanistan Bank shall arrange for the printing of bank notes and the minting of coins, for the security and safekeeping of unissued banknotes and coins, and for the destruction, as necessary, of plates, dies, and retired banknotes and coins.

Article 38 Currency exchange

Upon request, Da Afghanistan Bank shall exchange without charge or commission banknotes or coins with [other banknotes or coins] in equivalent amounts.

Article 39 Unfit currency

39.1 Unfit banknotes or coins are the banknotes and coins which are mutilated, defaced or coins that are bent, mutilated or defaced and that has been reduced in weight otherwise than by abrasion through ordinary use.

39.2 An unfit banknote or coin shall be demonetized. Subject to paragraph 3, Da Afghanistan Bank shall withdraw, destroy, and replace with banknotes or coins of an equivalent amount any unfit banknotes or coins presented to it.

39.3 Da Afghanistan Bank may decline to replace an unfit banknote or coin if its designs are illegible, misshaped or perforated, or if more than forty percent of its surface has been lost. Such banknote or coin shall be withdrawn and destroyed without indemnity to the owner, except that, in special cases, Da Afghanistan Bank may grant compensation in whole or in part.

39.4 Da Afghanistan Bank may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied.

39.5 Every officer employed in the collection of revenue in Afghanistan shall forward to Da Afghanistan Bank every unfit or counterfeit banknote or coin that is paid to the officer.

Article 40 Currency inventory and issue plan

Da Afghanistan Bank shall directly administer the currency reserve inventory, make issue plans, and ensure an adequate supply of banknotes and coins as needed to meet the currency requirements of the economy of Afghanistan.

Article 41 Accounting treatment of currency issued

Circulating banknotes and coins shall be treated in the accounts of Da Afghanistan Bank as a liability of Da Afghanistan Bank; such liability shall not include banknotes and coins in the currency reserve inventory of DAB.

Article 42 Currency recall

- 42.1 Da Afghanistan Bank may decide to call in and withdraw from circulation banknotes or coins, by issuing in exchange therefor other banknotes or coins in equivalent amounts. The decision shall be issued in accordance with a Procedure of Da Afghanistan Bank, which shall specify the location, date and hours during which the banknotes or coins must be presented for exchange, and provide for all matters relating to the exchange procedure. The procedure may set requirements and conditions as to proper identification of persons presenting banknotes or coins for exchange and for documentation of exchange transactions. It shall provide for the determination and treatment of any counterfeit money presented for exchange.
- 42.2 At the end of the exchange period referred to in paragraph 1 of this Article, or at any other time specified by the procedure, banknotes and coins so called in for exchange shall be demonetized and cease to be legal tender.
- 42.3 A decision under paragraph 1 of this Article may, be for the implementation of a Law providing for the naming or re-denomination of the currency in Afghanistan, or for any other purpose.

PART II MONEY OF ACCOUNT AND PAYMENT

Article 43 Public accounts and compulsory payments

- 43.1 All public budgets, financial records and accounts, required by any Law of Afghanistan, and established or maintained in Afghanistan, shall be or be assessed in the currency of Afghanistan. Payment of money when required in any indictment or other legal proceedings other than for the enforcement of a foreign currency obligation, shall be stated in the currency of Afghanistan.
- 43.2 Compulsory payments shall be assessed and required to be paid in the afghani. “compulsory payment” means any payment made to or by a public authority other than under a contract or any other voluntary transaction. It includes the payment of taxes (either direct or indirect), custom dues, excise, levies, fees, charges and penalties, as well as any payment to public utilities, payment according to a court order, or payment prescribed by law.

Article 44 Sums mentioned in laws, valuation, and conversion

- 44.1 Any sum mentioned in legislation, unless it is otherwise expressed, shall be construed as being in the currency of Afghanistan.
- 44.2 Where any legislation of Afghanistan or any convention, contract or agreement to which Afghanistan is a party does not provide for the manner

of conversion to the currency of Afghanistan, Da Afghanistan Bank may make regulations specifying, or specifying the means or method of ascertaining, determining or calculating, the equivalent afghani value of that foreign currency.

44.3 For the purposes of the administration, application and operation of the laws relating to the customs, tax obligations, or any other payments, Da Afghanistan Bank may in accordance with regulations, specify or specify the means or method of determining or calculating, the equivalent afghani value of currencies of countries other than Afghanistan for a day or any longer period or generally.

44.4 In case of a decision with regard to currency re-denomination in accordance with this law, all records, accounts, obligations, debts, price quotations, and references in other legislation, will read to be re-denominated according to the exchange rate of the re-denomination.

Article 45 Contracts

Unless Article 46 applies, every contract, sale, payment, bill, note, instrument and security for money and every transaction, dealing, matter and thing relating to money or involving the payment of or the liability to pay money shall be made, executed, entered into, done or carried out in the currency of Afghanistan.

Article 46 Freedom of currency

46.1 Parties to a contract or any other voluntary transaction, including a party to a bill, note, instrument or security for money, may denominate a payment obligation in any currency agreed upon.

46.2 An agreement of the parties under this Article may be express or implied from surrounding circumstances including course of dealing, usage of trade, or course of performance.

Article 47 Enforcement of foreign currency payment obligations

47.1 A foreign currency obligation may be enforced according to its terms. Subject to paragraph 3 and 4, where a legal person is obliged to enforce an obligation in a foreign currency, and the order requires payment of an amount in the currency of Afghanistan sufficient to purchase the amount of the obligation in the foreign currency, such amount shall be calculated by a bank in Afghanistan at the close of business on the first day on which the bank quotes an afghani rate for purchase of the foreign currency prior to the day payment of the obligation is received by the creditor.

47.2 Where other payments are made under paragraph 1, the rate of conversion shall be the rate determined as provided in paragraph 1.

47.3 Subject to paragraph 4, where, in a proceeding to enforce an obligation in a foreign currency, the court is satisfied that conversion of the amount of the obligation to the currency of Afghanistan as provided in paragraph 1 would be inequitable to both parties, the order may require payment of an amount in the currency of Afghanistan sufficient to purchase the amount of the obligation in the foreign currency at a bank in Afghanistan on such other day as the court considers equitable in the circumstances. The court shall order a conversion to be made at such rate as to make the creditor whole and avoid rewarding a debtor who has delayed in carrying out the obligation.

47.4 Where an obligation enforceable in the country [Afghanistan] provides for a manner of conversion to the currency of Afghanistan an amount in a foreign currency, the court shall give effect to the manner of conversion in the obligation.

PART III CRIMINAL OFFENCES

Article 48 Counterfeit Money

"Counterfeit money" includes

48.1 a false coin or false paper money that resembles or taken for a current coin or current paper money,

48.2 a forged banknote or forged blank banknote, whether complete or incomplete,

48.3 a genuine coin or genuine paper money that is prepared or altered to resemble or pass for a current coin or current paper money of a higher denomination

48.4 a current coin from which the milling is removed by filing or cutting the edges and on which new milling is made to restore its appearance,

48.5 a coin cased with gold, silver or nickel, that is intended to resemble or pass for a current gold, silver or nickel coin, [and]

48.6 a coin or a piece of metal or mixed metals that is washed or colored by any means with a wash or material capable of producing the appearance of gold, silver or nickel and that is intended to resemble or pass for a current gold, silver or nickel coin.

48.7 "Counterfeit token of value" means a counterfeit excise stamp, postage stamp or other evidence of value, by whatever technical, trivial or deceptive designation it may be described, and includes genuine coin or paper money that has no value as money.

Article 49 Making counterfeit money

Every one who makes or begins to make counterfeit money is guilty of an offence and liable to for a long term imprisonment upon order of authorized court.

Article 50 Possession of counterfeit money

50.1 Every one who, without lawful justification or excuse, the proof of which lies on him,

- 1) buys, receives or offers to buy or receive,
- 2) has in his custody or possession, or
- 3) introduces into Afghanistan,

counterfeit money is guilty of an offence and liable to imprisonment for a long term.

50.2 Every one who, without lawful justification or excuse, the proof of which lies on him, has in his custody or possession gold or silver filings or clippings, gold or silver bullion, or gold or silver in dust, solution or otherwise, produced or obtained by impairing, diminishing or lightening a current gold or silver coin, is guilty of an offence and liable to imprisonment for a term not exceeding five years.

Article 51 Melting coins

51.1 No person shall, except in accordance with a license granted by Da Afghanistan Bank, melt down, break up or use otherwise than as currency any coin that is current and legal tender in Afghanistan.

51.2 Every person who contravenes paragraph 1 or any condition attached to a license referred to in that paragraph is liable on conviction to a fine not exceeding 25,000 afghanis or to imprisonment for a term not exceeding twelve months or to both, and, in addition to any fine or imprisonment imposed, the court may order that the articles by means of or in relation to which the offence was committed be forfeited [to the State].

Article 52 Uttering

52.1 Every one who, without lawful justification or excuse, the proof of which lies on him,

- 1) utters or offers to utter counterfeit money or uses counterfeit money as if it were genuine, or

- 2) takes counterfeit money out of Afghanistan,
is guilty of an offence and liable to a long term imprisonment upon decision by the competent court. .

52.2 Every one who, with intent to defraud, knowingly utters

- 1) a coin that is not current, or
- 2) a piece of metal or mixed metals that resembles in size, figure or color a current coin for which it is uttered,

is liable to imprisonment for a term not exceeding two years.

Article 53 Slugs and tokens

Every one who without lawful excuse, the proof of which lies on him, manufactures, produces or sells, or has in his possession anything that is intended to be fraudulently used in substitution for a coin or token of value that any coin or token-operated device is designed to receive is guilty of an offence and liable to a fine not exceeding 12,000 afghanis or to imprisonment for a term not exceeding six months or to both.

Article 54 Defacing or impairing

54.1 Every one who

- 1) impairs, diminishes or lightens a current gold or silver coin with intent that it should pass for a current gold or silver coin, or
- 2) knowingly utters a coin described in sub-paragraph 1,

is guilty of an offence and liable to imprisonment for a long term .

54.2 Every one who

- 1) defaces a current coin,
- 2) utters a current coin that has been defaced,
- 3) without the authority of Da Afghanistan Bank defaces any banknote by printing, stamping or by any like means impressing on it any words, letters or figures, or
- 4) utters a current banknote that has been defaced as described in sub-paragraph 3,

is guilty of an offence and liable to a fine not exceeding 12000 afghanis or to imprisonment for a term not exceeding six months or to both.

Article 55 Likeness of banknotes

55.1 No person shall make, publish, print, execute, issue, distribute or circulate, including by electronic or computer-assisted means, anything in the likeness of

- 1) a current banknote, or
- 2) a debt security or a security of a government or other financial institution.

55.2 Paragraph 1 does not apply to

- 1) Da Afghanistan Bank or its employees when they are carrying out their duties;
- 2) the Police when they are carrying out their duties; [or]
- 3) any person acting under a contract or license from Da Afghanistan Bank or the Police.

55.3 A person who contravenes paragraph 1 is guilty of an offence and liable to a fine not exceeding 12000 afghanis or to imprisonment for a term not exceeding six months or to both.

55.4 No person shall be convicted of an offence under paragraph 3 in relation to the printed likeness of a banknote issued by Da Afghanistan Bank if it is established that the length or width of the likeness is less than three-fourths or greater than one-and-one-half times the length or width, as the case may be, of the banknote and

- 1) the likeness is in black-and-white only; or
- 2) the likeness of the banknote appears on only one side of the likeness.

Article 56 Instruments or materials

Every one who, without lawful justification or excuse, the proof of which lies on him, a. makes or repairs, begins or proceeds to make or repair, buys or sells, or has in his possession, any machine, engine, tool, instrument, material or thing that he knows has been used or that he knows is adapted and intended for use in making counterfeit money or counterfeit tokens of value is guilty of an offence and liable to imprisonment for a long term .

Article 57 Conveying instruments for coining out of mint

Every one who, without lawful justification or excuse, the proof of which lies on him, knowingly conveys out of any of mints licensed or authorized to mint coins in Afghanistan,

57.1 any machine, engine, tool, instrument, material or thing used or employed in connection with the manufacture of coins,

57.2 a useful part of anything mentioned in paragraph (1), [or]

57.3 coin, bullion, metal or a mixture of metals,

is guilty of an offence and liable to long term imprisonment .

Article 58 Advertising and trafficking

58.1 Everyone who

1) by an advertisement or any other writing, offers to sell, procure or dispose of counterfeit money or counterfeit tokens of value or to give information with respect to the manner in which or the means by which counterfeit money or counterfeit tokens of value may be sold, procured or disposed of, [or]

2) purchases, obtains, negotiates or otherwise deals with counterfeit tokens of value, or offers to negotiate with a view to purchasing or obtaining them,

is guilty of an offence and liable to imprisonment, taking the circumstances into consideration, for a term not exceeding five years.

58.2 No person shall be convicted of an offence under paragraph 1 in respect of genuine coin or genuine paper money that has no value as money unless, he knew that the coin or paper money had no value as money and he had a fraudulent intent in his dealings with or with respect to the coin or paper money.

[Translator’s note: pages 121 and 221 of the Dari law are replaced with one another. However, the error was corrected in this translation.]

Article 59 Special provisions as to proof

59.1 Every offence relating to counterfeit money or counterfeit tokens of value shall be deemed to be complete notwithstanding that such money or tokens of value are not finished or perfected or do not copy exactly the money or tokens of value that they are apparently intended to resemble or for which they are apparently intended to pass.

- 59.2 A certificate signed by a person designated as an examiner of counterfeit by Da Afghanistan Bank, stating that any coin, paper money or banknote described therein is counterfeit money or that any coin, paper money or banknote described therein is genuine and is or is not, as the case may be, current in Afghanistan or elsewhere, is evidence of the statements contained in the certificate without proof of the signature or official character of the person appearing to have signed the certificate.
- 59.3 A party against whom a certificate described in paragraph 2 is produced may, with leave of the court, require the attendance of the examiner of counterfeit for the purposes of cross-examination.
- 59.4 No certificate shall be received in evidence pursuant to paragraph 2 unless the party intending to produce it has, before the trial, given reasonable notice to the other party and provided a copy of the certificate.

Article 60 Unauthorized issue of banknotes, coins, instruments, tokens

Every one who issues a banknote or coin in violation of Article 34(1), or any other instrument or token intended for circulation in Afghanistan, is guilty of an offence and liable to imprisonment for a long term.

Article 61 Forfeiture

- 61.1 Counterfeit money, counterfeit tokens of value and anything that is used or is intended to be used to make counterfeit money or counterfeit tokens of value are confiscated [to the State of Afghanistan].
- 61.2 A police officer may seize and detain
- 1) counterfeit money,
 - 2) counterfeit tokens of value, [and]
 - 3) machines, engines, tools, instruments, materials or things that have been used or that have been adapted and are intended for use in making counterfeit money or counterfeit tokens of value, [**Note – Original text numbers this paragraph "c".**]
- 61.3 Anything seized under paragraph 2 of this Article shall be sent to Da Afghanistan Bank to be disposed of or dealt with as deemed necessary, but anything that is required as evidence shall not be sent to Da Afghanistan Bank.
- 61.4 A banknote ,coin, instrument or other tokens in violation of paragraph (1), of this article intended as money other than as authorized by this Chapter, is to be treated as counterfeit money or token for value.

The cases authorized by this chapter shall be an exception to this rule.

CHAPTER V MONETARY FUNCTIONS AND OPERATIONS

Article 62 Monetary policy

Da Afghanistan Bank shall be responsible for the formulation, adoption and execution of the monetary policy of Afghanistan.

Article 63 Open market operations

In the conduct of its monetary policy, Da Afghanistan Bank may operate in the open market by purchasing and selling, outright (spot and forward) or under repurchase agreements, convertible foreign currencies, and debt securities issued by the state; no other currencies and securities shall be used for this purpose.

Article 64 Required reserves of banks

64.1 In the conduct of its monetary policy, Da Afghanistan Bank may require that banks shall maintain deposits with Da Afghanistan Bank at prescribed minimum levels that relate to the size, type or maturity of their deposits, borrowed funds and such other liabilities as Da Afghanistan Bank may determine by regulation (required reserves). Required reserve levels shall be the same for all banks for liabilities.

64.2 Da Afghanistan Bank may from time to time prescribe by regulation the required reserves that shall be maintained by way of cash holdings or by way of money deposits with Da Afghanistan Bank, which shall be calculated as average daily reserves over such time periods. Required reserves maintained with Da Afghanistan Bank may be remunerated as decided by Da Afghanistan Bank.

64.3 Regulations mentioned in paragraph 2 , by which required reserves or levels of required reserves are established or modified, shall specify the date by which banks shall comply with the new reserves or reserve levels.

Article 65 Failure to maintain required reserves

Da Afghanistan Bank may impose on and collect from any bank that fails to maintain required reserves at the minimum levels prescribed in accordance with Article 66, a levy on the shortfall in such bank's required reserves, until the shortfall is corrected; such levy shall be set by regulation of Da Afghanistan Bank.

Article 66 Discount operations

66.1 Da Afghanistan Bank may discount only the following instruments when they are presented by a bank that holds an account on the books of Da Afghanistan Bank:

- 1) bills of exchange and promissory notes, denominated in afghanis and payable in Afghanistan, bearing the signature of at least three solvent parties of which at least one shall be a bank, and maturing within three months from the date of their acquisition by Da Afghanistan Bank;
- 2) in exceptional circumstances Da Afghanistan Bank may discount such instruments if they bear the signature of only two solvent parties including one bank and if they mature more than three months but not more than six months from the date of their acquisition by Da Afghanistan Bank;
- 3) debt securities issued or guaranteed by the State or Da Afghanistan Bank, payable within the territory of Afghanistan, denominated in afghanis, forming part of a public issue, and maturing within three months from the date of their acquisition by Da Afghanistan Bank.

66.2 The discount operations referenced in paragraph 1 of this Article shall be subject to such other terms and regulations, including the discount rate, as Da Afghanistan Bank may establish.

66.3 Da Afghanistan Bank may refuse to discount any of the before mentioned instruments.

Article 67 Loans

67.1 Da Afghanistan Bank may, on the relevant terms and conditions, grant to banks that hold an account on the books of Da Afghanistan Bank, for periods not exceeding three months, loans that are secured by any of the following assets:

- 1) international reserve assets as specified in Article 72 of this law;
- 2) other debt securities issued or guaranteed by, and payable within the territory of, Afghanistan, denominated in afghanis, and forming part of a public issue;
- 3) warehouse receipts and other documents of title issued in respect of staple commodities or other goods duly insured against risk of loss or damage; and
- 4) deposits with Da Afghanistan Bank or with a depository acceptable to Da Afghanistan Bank of any assets which Da Afghanistan Bank is permitted

to buy or sell or deal in under this Law, including without limitation gold other precious metals and stones.

67.2 Loans granted by Da Afghanistan Bank to bank account holders shall be made only at their head offices in Afghanistan.

Article 68 Rates for discounts and loans

The rates for discounts and loans of Da Afghanistan Bank shall be established by regulation of Da Afghanistan Bank.

CHAPTER VI EXCHANGE RATE POLICY, FOREIGN EXCHANGE CONTROLS

Article 69 General policy

69.1 Da Afghanistan Bank shall be [solely] responsible for the formulation, adoption and execution of the exchange rate policy of Afghanistan. Before making a decision in this regard, Da Afghanistan Bank shall consult thereon with the Ministry of Finance.

69.2 Da Afghanistan Bank shall act as agent for Afghanistan in accordance with the enacted laws with regard to exchange control. All returns, statements, accounts or information required shall be presented by Da Afghanistan Bank.

Article 70 Responsibilities of Da Afghanistan Bank

Da Afghanistan Bank shall have responsibility for:

70.1 the issuance of regulations, guidelines and instructions required for the execution of exchange rate policy and for foreign exchange market operations within the territory of Afghanistan;

70.2 the registration and issuance of licenses, and the regulation and supervision, of foreign exchange dealers including banks, and other financial institutions, pursuant to Article 77;

70.3 setting limits on foreign exchange positions of foreign exchange dealers and banks;

70.4 holding or organizing foreign exchange auctions; [and]

70.5 maintaining and managing the international reserves of Afghanistan.

Article 71 International clearing and payments agreements

Da Afghanistan Bank may, either for its own account or on behalf of the State, enter into clearing and payments agreements or any other contracts for the same purpose with public and private central clearing institutions domiciled abroad.

Article 72 International reserve assets

72.1 Da Afghanistan Bank shall establish and maintain the international reserves of Afghanistan which shall consist of all or any of the following assets:

- 1) any gold, other precious metals and precious stones
- 2) any banknotes and coins in freely convertible foreign currency
- 3) any credit balances that are payable in freely convertible foreign currency and are held in accounts of Da Afghanistan Bank on the books of foreign central banks or other financial institutions;
- 4) the aggregate amount of special drawing rights of the International Monetary Fund held by the State;
- 5) any bills of exchange, promissory notes, certificates of deposit, bonds and other debt securities that are payable in convertible foreign currency and are held by or for the account of Da Afghanistan Bank; and
- 6) any forward purchase or repurchase agreements and any currency swap agreements of Da Afghanistan Bank concluded with or guaranteed by foreign central banks or international financial organizations, and any futures, option and other contracts held by Da Afghanistan Bank, that entitle Da Afghanistan Bank to receive payment in convertible foreign currency.

72.2 Da Afghanistan Bank shall maintain the international reserves at a level which, shall be adequate for the execution of the monetary and exchange rate policies of Afghanistan and for the prompt settlement of the country's international transactions.

72.3 If the international reserves mentioned in paragraph 2 of this Article have declined or, are in danger of declining to such an extent as to jeopardize the execution of the monetary or exchange rate policies of Afghanistan or the prompt settlement of the country's international transactions, Da Afghanistan Bank shall initiate corrective action and submit to the Council of Ministers of Afghanistan a report about the matter together with such recommendations as it considers necessary to remedy the situation.

72.4 Until such time as, the situation mentioned in paragraph 3 has been rectified, Da Afghanistan Bank shall continue to take corrective action and make further such reports and recommendations as shall be necessary.

Article 73 acquisition, holding and dispose of international reserves

, Da Afghanistan Bank shall, in accordance with the banking law, have the authority to take all actions necessary to acquire, to hold, and to dispose of, the international reserve assets specified in Article 72, paragraph 1. and manage them in accordance with internationally recognized best practices.

Article 74 Limit on foreign exchange liabilities

Da Afghanistan Bank shall not permit an increase in the total amount of its liabilities that are payable in foreign currency if as a result of such increase that total would exceed the equivalent of fifty percent of the aggregate amount of the unimpaired capital and reserves of Da Afghanistan Bank.

Article 75 Foreign exchange dealers

75.1 Every foreign exchange dealer must obtain a license for activity from, Da Afghanistan Bank.

75.2 The regulation shall set out the conditions for ,granting, registering, and revoking such license.

75.3 The following persons shall be an exception to paragraph 1:

- 1) Da Afghanistan Bank;
- 2) banks;
- 3) specific persons by virtue of the nature, size or location of their business, or the type of their customers;

75.4 Exemptions so granted by Da Afghanistan Bank shall be conditional or limited in time, or partial and DAB shall list services that may or may not be provided by these persons.

75.5 Foreign exchange dealers shall comply with the laws, regulations, rules and procedures of Da Afghanistan Bank generally and in particular in the following cases:

- 1) reporting transactions in value exceeding a minimum amount set by the regulation of DAB to the relevant Department or Agency ;
- 2) collecting and maintaining on record information about their customers

- 3) provision of information concerning customers, management, administration, business and financial condition as specified in the regulation of DAB.
- 75.6 The license or registration of a foreign exchange dealer may be revoked by Da Afghanistan Bank if the foreign exchange dealer fails to comply with any provision of this Law or a regulation issued by Da Afghanistan Bank pursuant to this Law, or engages in criminal activities,.

CHAPTER VII RELATIONS OF DAB WITH THE STATE

Article 76 Banker, adviser and fiscal agent

- 76.1 Da Afghanistan Bank shall act as banker and adviser to, and as fiscal agent of, the State, and such State agencies as the Minister of Finance shall determine; No transaction shall be carried out by Da Afghanistan Bank to extend financial assistance to or for the benefit of the State or any of State agencies.
- 76.2 Da Afghanistan Bank shall consult with the Minister of Finance, on any proposals concerning matters that relate to its objectives or that otherwise are within its fields of competence, before they are submitted to the parliament.
- 76.3 Each year, Da Afghanistan Bank shall be consulted by the Minister of Finance on the occasion of the preparation of the State budget for the next following budget year. DAB shall submit a written report to the Minister of Finance on economic and financial matters pertinent to the budget.
- 76.4 Da Afghanistan Bank shall submit to the Minister of Finance and publish its budget for its next following budget year in order to provide an indication of the amount for allocation and transfer to the State for that year.

Article 77 Consultations and reporting on public sector borrowing

Each year, the Minister of Finance shall consult with Da Afghanistan Bank on its plan for domestic and external public sector borrowing during the next following financial year, including the amounts to be contracted and disbursed under such borrowing and the expected terms and conditions of such borrowing. All borrowing transactions by the State and its State agencies shall be reported in such detail as the relevant regulations shall require.

Article 78 Depository and cashier for the state

78.1 Da Afghanistan Bank may accept deposits from the State, and from such State agencies as the Minister of Finance shall determine. As depository, Da Afghanistan Bank shall receive and disburse monies and keep account thereof and provide other financial services related thereto. Da Afghanistan Bank shall pay to the limits of the deposited amounts against orders to pay from such accounts. Da Afghanistan Bank may agree to pay interest on such deposits.

78.2 Da Afghanistan Bank may authorize other financial institutions to receive such deposits in compliance with conditions prescribed by Da Afghanistan Bank.

Article 79 Fiscal agency function

Da Afghanistan Bank may agree with the Minister of Finance, to act as fiscal agent for the account of the State and its State agencies, in the following matters:

79.1 marketing of debt securities issued by the relevant authorities, or registration and transfer thereof;

79.2 payment of principal of, and interest and other charges on, such securities;

79.3 execution of payment transactions concerning their accounts at Da Afghanistan Bank;

79.4 such other matters as shall be consistent with the objectives and basic tasks of Da Afghanistan Bank.

Article 80 required Information

Da Afghanistan Bank shall receive from the State all such financial and economic information and documents as Da Afghanistan Bank shall reasonably request for the carrying out of its functions.

Article 81 Loans of Da Afghanistan Bank to the State

Except as provided in Article 82, Da Afghanistan Bank shall not grant any financial assistance to the State or to any of its State agencies.

Article 82 Purchases of Government securities by Da Afghanistan Bank

Purchases by Da Afghanistan Bank of debt securities issued by the State as loans of Da Afghanistan Bank to the State shall be prohibited, except such purchases are consistent with the monetary policy objectives of Da

Afghanistan Bank or are required for investing assets of Da Afghanistan Bank and then only if such purchases are made in the secondary market.

CHAPTER VIII RELATIONS OF DAB WITH BANKS

Article 83 Licensing, regulation and supervision of banks

Da Afghanistan Bank shall be responsible for the licensing, regulation and supervision of banks.

Article 84 Cooperation with foreign banks supervisors

84.1 Da Afghanistan Bank shall closely cooperate with any foreign banking supervisory authority on the basis of reciprocity with respect to the supervision of banks that operate in both their respective jurisdictions. Such cooperation may be formalized in an agreement between Da Afghanistan Bank and the foreign banking supervisory authority.

84.2 Such cooperation may include exchange with such foreign banking supervisory authority of information concerning any bank that operates in both their respective jurisdictions, provided that the principle of confidentiality is complied with.

Article 85 Bank accounts on the books

Da Afghanistan Bank shall be authorized to maintain accounts on its books for, and to accept deposits from, banks, foreign exchange dealers, securities service providers, payment system operators and other persons submitted by law to its oversight, on such terms and conditions as are prescribed by account agreement or regulation.

Article 86 Lender of Last Resort

Da Afghanistan Bank may, on the determined terms and conditions, act as lender of last resort for domestic or foreign financial institutions that are account holders, by granting to them or for their benefit, for periods not exceeding three months, financial assistance that may take the form of loan, swap, repurchase and contingent commitments; each such commitment must be secured by assets specified in Article 69 unless Da Afghanistan Bank decides that an unsecured commitment would be justified by exceptional circumstances; No such commitment shall be made by Da Afghanistan Bank unless: (i) in the opinion of Da Afghanistan Bank, such commitment is dictated by the liquidity requirements of the account holder and by the public interest; and (ii) the Minister of Finance has concurred with the commitment within 24 hours after a proposal therefor was submitted to him by Da Afghanistan Bank. The period for

commitment may be extended by Da Afghanistan Bank on the condition that the account holder takes the measures concerned to satisfy Da Afghanistan Bank's liquidity requirements.

CHAPTER IX PAYMENT, CLEARING AND SETTLEMENT

Article 87 Payment systems and payment system operators

87.1 Da Afghanistan Bank shall establish, maintain and promote sound and efficient payment systems.

87.2 Da Afghanistan Bank shall be responsible for the registration, licensing, regulation and supervision of payment systems and payment system operators.

87.3 Da Afghanistan Bank may supervise payment systems and payment system operators and may by regulation:

- 1) require the registration or licensing of any payment system or payment system operator;
- 2) submit any payment system or payment system operator to prudential requirements, including requirements designed to facilitate supervision by Da Afghanistan Bank of payment systems or payment system operators and to preserve the safety of the public assets entrusted to their care;
- 3) set out conditions and requirements, including eligibility requirements, under which financial institutions, and money service providers, may participate in any payment system;
- 4) submit payment systems or payment system operators to provisions of other regulations issued pursuant to this Chapter.

87.4 Conditions and requirements under this Article, including for licensing or registration, may vary from one category of payment system or payment system operator to another such category.

87.5 Da Afghanistan Bank shall be authorized to do all such things as it shall deem necessary for carrying out the tasks described in paragraph 1, including without limitation:

- 1) promoting, organizing, participating in and operating payment systems;
- 2) maintaining on its books settlement accounts for financial institutions and payment system operators, on such terms and conditions as it may be prescribed by the relevant regulation or agreement;

- 3) providing to its account holders facilities for overdrafts secured by adequate collateral in accordance with requirements provided for by relevant regulations
- 4) establishing, operating or participating in information networks for the financial system of Afghanistan.

87.6 Da Afghanistan Bank may make arrangements for or facilitate:

- 1) the interaction of its payment systems with other payment systems;
- 2) the development of new methods and technologies for payments in domestic or foreign currencies;
- 3) the formulation and periodic adaptation of an ongoing plan for the evolution of the national payment system of Afghanistan.

Article 88 Payment system policy

88.1 Da Afghanistan Bank shall formulate, adopt, publicly disclose, pursue and oversee the execution of a payment system policy.. The policy shall be directed to the greatest advantage of the people of Afghanistan consistent with best international standards and facilitate the stability of the financial system. It shall primarily promote payment system safety and efficiency and control payment system risks. The policy shall enhance other aspects of the public interest and particularly contribute to the promotion of competition in the market for payment system services and the protection of payment systems users.

88.2 In promoting payment system safety and efficiency, Da Afghanistan Bank shall co-operate with payment system operators, with other central banks and with other relevant domestic or foreign authorities.

Article 89 internal risks of system and settlement certainty

89.1 Da Afghanistan Bank may promulgate regulations and issue directives designed to control systemic risks and to achieve settlement certainty in payment systems.

89.2 Regulations and directives issued pursuant to this Article may provide for:

- 1) the validity, enforceability, and binding effect between and among parties and against all third parties of bilateral and multilateral netting agreements, [and] settlement rules governing financial transactions, between financial institutions, and of any netted or close out amount determined in accordance with such agreements or regulations ;

- 2) the prevention or reduction of risks associated with the failure to complete the settlement of obligations resulting from a multilateral clearing;
- 3) the applicability and enforceability among parties and against all third parties of the provisions of Article 77 of the Banking Law on settlement finality to transfer orders of persons other than banks, and the provisions of Article 82 of the Banking Law on set off and netting to financial contracts between persons other than banks, notwithstanding any other provision in any law; and
- 4) penalties and sanctions for non compliance with the provisions of sub paragraphs a, b, and c of this Article.

Article 90 Money services

- 90.1 Da Afghanistan Bank shall be responsible for the registration, licensing, regulation and supervision of money service providers.
- 90.2 Da Afghanistan Bank may supervise money service providers and may:
- 1) require their licensing or registration
 - 2) submit them to provisions of relevant regulations pursuant to this Chapter
 - 3) set out conditions and requirements under which money services may be provided, and supervision by Da Afghanistan Bank of money service providers is facilitated and the safety of the assets entrusted by the public to their care is preserved;
 - 4) require money service providers to report transactions in value exceeding a minimum amount set to the responsible Department or Agency
- 90.3 Conditions and requirements under this Article, including for licensing or registration, may vary from one category of money services to another such category.
- 90.4 Da Afghanistan Bank may regulate and supervise services and facilities provided by financial institutions, including money service providers, for sending, processing and receiving payment orders for their customers in domestic or foreign currencies
- 90.5 DAB may assist such financial institutions in the establishment, operation and organization of such services and facilities.

Article 91 Miscellaneous

- 91.1 Licenses required pursuant to Article 87 and 90 shall be applied for, and granted revoked or denied, in accordance with the relevant procedures.

- 91.2 grant and registration of such license shall consist of:
- 1) an entry in a public register ;
 - 2) a license or registration certificate issued by Da Afghanistan Bank.
 - 3) Both the register entry and the certificate shall specify the system or service for which, and the person to whom, the license or registration was issued.
- 91.3 The following persons shall be exempt from the requirement of a license or registration pursuant to Article 87 and 90:
- 1) Da Afghanistan Bank;
 - 2) banks;
 - 3) other persons who, by virtue of the nature, size or location of their business, or the type of their customers; exemptions so granted may be conditional or limited in time. DAB shall list services that may or may not be provided by the persons receiving the exemption.
- 91.4 Payment system operators and money service providers shall comply with the applicable rules and procedures specified by law or by regulation of Da Afghanistan Bank. In particular, they shall:
- 1) collect and maintain on record information about their customers in such format and detail as shall be specified in the relevant conditions; and
 - 2) provide required information concerning their customers, management, administration, business and financial condition in such detail and format as shall be specified in the regulation of DAB.
- 91.5 The license or registration of a payment system operator or a money service provider may be revoked if Da Afghanistan Bank determines that the payment system operator or the money service provider fails to comply with any provision of this Law or a regulation issued by Da Afghanistan Bank pursuant to this Law, or is insolvent, or engages in criminal activities, or that there are grounds to suspect that the payment system operator or money service provider engages in criminal activities

CHAPTER X SECURITIES SERVICES AND SECURITIES TRANSFER SYSTEMS

Article 92 Registration of securities services

92.1 It shall be unlawful for any person to engage directly or indirectly in the business of providing in Afghanistan any of the following securities services:

- 1) services for the purchase, sale, trading, administration, safekeeping or transport of securities;
- 2) services for the destruction of securities or other financial instruments;
- 3) services for the operation or administration of a financial market;
- 4) services for investing in securities funds received from the public
- 5) any other service declared to be a securities service by of the Council of Ministers of Afghanistan.

92.2 , A person who is registered with Da Afghanistan Bank as a securities service provider or a person exempt pursuant to Article 93 of this law from registration shall be an exception to this rule.

Article 93 Exemptions from registration requirement

93.1 The following persons shall be exempt from registration required by Article 92:

- 1) Da Afghanistan Bank;
- 2) banks;
- 3) other persons who, by virtue of the nature, size or location of their business, or the type of their customers,

93.2 persons mentioned in above are exempt from this registration requirement only if Da Afghanistan Bank deems such exemption to be compatible with its objectives listed in Article 99;

exemptions so granted by Da Afghanistan Bank may be conditional or limited in time, or they may be partial

93.3 securities services that may or may not be provided by the persons mentioned in paragraph 1.3 of this Article shall be listed by DAB.

Article 94 Regulation, supervision and prudential standards

- 94.1 Da Afghanistan Bank shall be responsible for the regulation and supervision of securities service providers in accordance with the objectives specified in Article 99.
- 94.2 Da Afghanistan Bank may supervise securities service providers and may:
- 1) submit securities service providers to prudential conditions and requirements under which securities services may be provided, including conditions and requirements designed to facilitate supervision by Da Afghanistan Bank of securities service providers and to preserve the safety of the public assets entrusted to their care; and
 - 2) require securities service providers to report transactions in value exceeding a minimum amount set to the relevant Department or Agency.
- 94.3 The funds and securities owed by a securities service provider (other than a bank) to its customers , from the funds and securities credited to the accounts of other customers and are kept segregated; no such funds or securities shall be used to discharge liabilities of other customers or liabilities of that securities service provider. [?]

Article 95 Public offer and sale of securities restricted [Note – Original text numbers this paragraph "97".]

- 95.1 It shall be prohibited for any person, directly or indirectly, to purchase or to sell a security or to provide a securities service if that security is not registered by Da Afghanistan Bank in a public register, except in circumstances and on terms and conditions specified by regulation of Da Afghanistan Bank.
- 95.2 Da Afghanistan Bank may impose conditions for maintaining such registration, including public information requirements concerning the securities and their issuers.
- 95.3 The registration of a security as an approved security shall be revoked by Da Afghanistan Bank in the following conditions:
- 1) that the issuer of the security has ceased to exist as an independent person or has been declared insolvent or bankrupt by a court of law;
 - 2) that the market value of the security is less than twenty afghanis.
- 95.4 Any transaction in a security that is not registered shall be null and void; and in the event that such securities transaction is settled, the buyer of the security shall return the security to the seller in exchange for the purchase price paid for the security net of commissions, fees and other costs.

Article 96 Securities transfer systems

- 96.1 Da Afghanistan Bank shall establish, maintain and promote sound and efficient securities systems.
- 96.2 It shall be prohibited for any person, who is licensed by Da Afghanistan Bank, to operate a securities transfer system.
- 96.3 Da Afghanistan Bank shall be responsible for the licensing, regulation and supervision of securities transfer systems and securities transfer system operators.
- 96.4 Da Afghanistan Bank may submit securities transfer systems and securities transfer system operators to:
- 1) prudential conditions and requirements, including conditions and requirements designed to facilitate supervision by Da Afghanistan Bank of securities transfer systems and securities transfer system operators and to preserve the safety of the public assets entrusted to their care;
 - 2) provide for the applicability and enforceability among parties and against all third parties of the provisions of Article 77 of the Banking Law on settlement finality to securities transfer orders of persons other than banks;
 - 3) eligibility for participation in any securities transfer system.
- 96.5 Conditions and requirements under paragraph 4 of this Article may vary from one category of securities transfer system or securities transfer system operator to another such category.
- 96.6 Da Afghanistan Bank shall be authorized to do all such things as it shall deem necessary for carrying out the tasks described in paragraph 1, including without limitation :
- 1) promoting, organizing, participating in and operating securities transfer systems;
 - 2) maintaining on its books settlement accounts for securities transfer system operators and securities service providers, on such terms and conditions as prescribed by agreement with account holders; and
 - 3) providing to its account holders facilities for overdrafts secured by adequate collateral in accordance with requirements of the relevant regulations.
- 96.7 Da Afghanistan Bank may facilitate:

- 1) the interaction of its securities clearing and settlement systems of DAB with other securities transfer systems;
- 2) the development of new methods and technologies for transfers of securities, in domestic or foreign currencies; and
- 3) the formulation and periodic adaptation of an ongoing plan for the evolution of the securities transfer system of Afghanistan.

96.8 Da Afghanistan Bank shall issue regulations governing the safekeeping, bookkeeping and transfer of debt securities issued by the State or by Da Afghanistan Bank and for the clearing and settlement of transactions in such securities. These regulations shall also set rules for auctions of such securities and for the conduct of broker-dealers.

Article 97 Pyramid schemes prohibited

No person, directly or indirectly, shall initiate, offer, advertise, conduct, finance, manage, supervise or direct a scheme where profits earned by participants in the scheme largely depend on increases in the number of participants in the scheme or in the size of their contributions to the scheme.

Article 98 Miscellaneous

98.1 Licenses and their registrations required pursuant to Article 94 and 98 shall be applied for, and be granted or revoked, in accordance with rules and procedures specified by relevant regulations.

98.2 Each such license or registration shall consist of:

- 1) an entry in a public register to be maintained by Da Afghanistan Bank
- 2) a license or registration certificate issued by Da Afghanistan Bank.
- 3) Both the register entry and the certificate shall specify the system or service for which, and the person to whom, the license or registration mentioned in sub-paragraphs 1 and 2 of this paragraph was issued.

98.3 Securities service providers and securities transfer system operators shall comply with the applicable laws and regulations as well as to:

- 1) collect and maintain on record information about their customers in such format and detail as shall be specified in the regulation; and
- 2) provide Da Afghanistan Bank with required information concerning their customers, management, administration, business and financial condition in such detail and format as shall be specified in relevant regulation.

- 98.4 The license or registration of a securities service provider or a securities transfer system operator may be revoked by Da Afghanistan Bank if the securities service provider or securities transfer system operator fails to comply with any provision of this Law or a regulation issued pursuant to this Law, or is insolvent, or engages in criminal activities, or that there are grounds to suspect that the securities service provider or securities transfer system operator engages in criminal activities.
- 98.5 Any person, who directly or indirectly commits an act concerning a securities service or a securities transfer system that is declared to be unlawful or incompatible with one or more of the objectives listed in Article 99, uses or permits a third party to use funds or securities received from, or for the account or benefit of, one of the customers of that person, or commits fraud or deceit shall be sentenced to imprisonment for not more than 2 years or to pay a fine of not more than 25,000 afghanis or both; Any property, including money, used in or derived from committing such act shall be seized and forfeited to the State.

Article 99 tasks

In carrying out its tasks assigned by this Chapter, Da Afghanistan Bank shall pursue the following objectives:

- 99.1 promoting confidence in, and public understanding of, securities services, securities transfer systems and financial markets;
- 99.2 offering investors protection of their investments in securities; [and]
- 99.3 prohibiting persons from using a securities service for a criminal purpose involving fraud or dishonesty, misconduct or misuse of information relating to a securities transaction, or proceeds of crime.

CHAPTER XI ACCOUNTS, FINANCIAL STATEMENTS, AUDIT AND REPORTS

Article 100 Financial year

The financial year of Da Afghanistan Bank shall begin on the first day of Hamal and end on the last day of Hoot of the same year.

Article 101 Accounting practices

Da Afghanistan Bank shall maintain accounts and records adequate to reflect in accordance with consistently maintained international accounting standards its operations and financial condition.

Article 102 Financial statements

Da Afghanistan Bank shall prepare financial statements for each of its financial years. They shall include a balance sheet, a profit and loss statement, and related statements.

Article 103 Audit of accounts

The accounts and records of Da Afghanistan Bank shall be audited in accordance with international auditing standards by independent external auditors appointed by the Council of Ministers of Afghanistan.

Article 104 Transmittal and publication of statements and reports

104.1 Da Afghanistan Bank shall, within three months after the close of each of its financial years, submit to the parliament of Afghanistan:

- 1) a copy of its financial statements certified by its auditors;
- 2) a copy of its report on operations and affairs during that year; and
- 3) a report on the state of the economy.

104.2 Da Afghanistan Bank shall, at the end of each month, but within 15 working days, prepare and submit to the Minister of Finance pro forma balance sheets. The pro forma reports will include the net change in the foreign reserve position over the course of the month.

104.3 Upon their submission, Da Afghanistan Bank shall publish the financial statements and reports referred to in paragraphs 1 and 2; it may publish such other reports and studies on financial and economic issues as it may deem appropriate.

Article 105 Reporting on monetary policy

105.1 Da Afghanistan Bank shall report in writing to the President and the Minister of Finance of Afghanistan if at any time, the net foreign reserve position across the Da Afghanistan Bank reserve accounts declines by more than 20% over a 7 day period.

105.2 Semi-annually, Da Afghanistan Bank shall deliver to the parliament of Afghanistan and publish a policy statement that shall contain:

- 1) a description of, and an explanation of the reasons for, the monetary policies to be followed by Da Afghanistan Bank during the next six months period;

- 2) a description of the principles that Da Afghanistan Bank proposes to follow in the adoption and execution of monetary policy during the next two years, or a longer period of time
- 3) a review and assessment of the adoption and execution by Da Afghanistan Bank of monetary policy during the period to which the last preceding six monthly policy statement relates.

CHAPTER XII COMMISSION FOR SETTLING FINANCIAL DISPUTES

Article 106 Commission

There is established by this law a commission known as the commission for settling financial disputes(commission) which shall investigate disputed financial cases prior to judicial proceedings, on mediation basis.

Article 107 Jurisdiction of the Commission

107.1 The Commission shall have jurisdiction to review the following decisions and orders of Da Afghanistan Bank:

- 1) decisions of Da Afghanistan Bank whereby the application of a license or a permit or a registration is rejected,
- 2) decisions whereby a condition or restriction is attached to a license or a registration or a permit,
- 3) decisions whereby a license or a registration or a permit is revoked;
- 4) decisions of Da Afghanistan Bank imposing compensation of a loss, or financial punishments;
- 5) orders issued by Da Afghanistan Bank to a person engaged in an activity without a valid license or permit from, or registration with, Da Afghanistan Bank even though such license, permit or registration is required by law;
- 6) Decisions [of Da Afghanistan Bank] to appoint or to extend the term of appointment of a conservator; [and]
- 7) such other matters as the law assigns the commission. **[Note – Original text numbers this paragraph "G".]**

107.2 The Commission shall have jurisdiction to study applications for the opening or bankruptcy proceedings against a bank and to supervise them.

107.3 The Commission shall have jurisdiction to adjudicate any financial dispute between financial institutions that is clearly referred to the Commission pursuant to a prior written agreement with regard to settlement of disputes.

Article 108 Composition of the Commission

108.1 The Commission shall be composed of :

- 1) three lawyers appointed by the president upon proposal of the Governor of DAB;
- 2) three professional accountants with experience and background in financial affairs who shall be appointed by the president upon the proposal of the minister of Finance;
- 3) administrative civil servants and staff, as needed;
- 4) the head of the commission shall be selected from one of the lawyers upon the proposal of the Governor of DAB by the president;

108.2 No person shall serve as a professional member of the Commission:

- 1) If he is not a citizen of Afghanistan;
- 2) If he is not a person of recognized integrity;
- 3) has been deprived of political or civil rights;
- 4) is engaged in other official duties during his tenure;
- 5) While he is a member of the Supreme Council or the Executive Board of any bank , or a Comptroller or another employee of Da Afghanistan Bank; [and]
- 6) his age is not less than 35 years at the time of appointment.

108.3 members of the Commission shall be appointed for life They may not be removed from the Commission except on one or more of the grounds listed in para 2; or be sentenced to secession, or removal from job by an authorized court due to dishonesty.

108.4 the professional members of the commission shall serve until the age of 70 years. They may resign at any time before such age by presenting a written application, due to personal reasons.

Article 109 Registration of assets and non participation in dispute resolution

109.1 During appointment, Professional members of the Commission shall record his property in the property registration forms.

109.2 the form shall be evaluated annually by a committee appointed by Da Afghanistan Bank, Minister of finance, and the council of ministers. The representative of the council of ministers shall be the head of the evaluation.

109.3 In case a professional member has interest in a case referred to the commission for settlement, he shall be refused to attend in the evaluation of the issue, in written, and shall present in written his excuse with regard to attending the investigation of the case. In such situations, the case shall be settled by other members, otherwise, the decision of the commission shall be null.

109.4 None of the professional members or the administrative staff of the commission may accept a gift or loan from a person who is a party to a case, in his own name, or other person who is his relative up to fourth grade, or has financial relations with him.

Article 110 Obligations of professional members of the commission

The professional members of the commission shall be responsible for:

110.1 to keep the secrecy of information with regard to the secrets of duty, or information with regard to others obtained in connection with duty, unless provided otherwise by law or the order of authorized court, as needed.

110.2 to refrain from using the information or data obtained by him for his personal or other persons benefit, or from giving authorization of its use for others or to facilitate its use [as such].

Article 111 Venue and rules of procedure of the Commission

111.1 Within one month upon establishment, the Commission shall be obliged to codify its procedures and terms of reference and present them to the supreme council of DAB for approval.

Article 112 Summons

112.1 The Commission may by summons require any person to attend, with regard to a case submitted to the commission for settlement and oblige them to present documents and proofs as needed. Any person going against this rule shall be punished.

Article 113 Decisions of the Commission

113.1 the commission shall take the following into consideration for decision making:

- 1) Decisions of the Commission shall be taken by a majority of members.

- 2) Decisions of the Commission shall be based on reasons and proofs and shall be in accordance with law.
 - 3) The decisions of the commission shall be signed by the members present and be recorded.
 - 4) A copy of the decisions made shall be officially sent to the parties upon issuance.
- 113.2 The parties may object the decisions issued by the commission within fifteen days of official notification, and refer to authorized judicial authorities for settling the dispute.
- 113.3 If the decisions of the commission are not objected by either one of the parties, it shall be enacted like judicial decisions.

Article 114 Objection to decisions and orders

- 114.1 Objections [complaints] shall be evaluated as follows:
- 1) Objections to the decisions and orders of DAB shall be presented by the person mentioned in the decision or order, in written within six months from the date of issuance to the commission.
 - 2) The objection shall contain specific reasons with regard to nullification or change of the decision or order that is issued.
 - 3) The administrative in-charge of the commission shall present the objection to the head of the commission and shall notify in writing the parties about the date of the hearing and shall send a copy to DAB.
 - 4) The commission shall nullify or amend the decision or order in the following conditions:
 - If DAB has trespassed its legal authorities in issuance of a decision or order.
 - If DAB has not complied in its decisions or issuance of orders with the relevant regulations and procedures.
 - 5) the commission shall comply with the following while deciding on nullification or amendment of a decision or order of DAB.
 - to describe the reasons mentioned in subparagraph 4 of this Article and the manner of correcting them.
 - to determine a final date for implementing the decision taken by the commissions.

- If DAB does not act in accordance with the decision of the commission, the decision taken shall be applied.
- 114.2 2. The decisions taken and the orders issued by the DAB shall be enforced until the commission issues an order to nullify or amend it or until the date of validity has expired.
- 114.3 3 A decision or order of DAB which is retaken or reissued with regard to a case concerning which a nullifying or amending decision of commission has been issued, may be objected to again.

CHAPTER XIII MISCELLANEOUS PROVISIONS

Article 115 Preferential right

- 115.1 Da Afghanistan Bank shall have a preferential right to satisfy each of its claims from any cash balances and other assets that it holds for its own account or for the account of the debtor concerned. Such assets may be as collateral to secure the claims of DAB. At the time that such claim becomes due and payable, DAB shall use them to satisfy of its claims. Bank assets held by Da Afghanistan Bank as required reserves shall be an exception.
- 115.2 Da Afghanistan Bank may exercise its preferential right only by keeping cash balances and by selling other assets of the debtor against a reasonable price and paying itself from the proceeds of the sale after deducting there from the costs associated with the sale. No competing claim, not even claims of ownership or other previously acquired rights, shall be permitted to delay, the exercise by Da Afghanistan Bank of its preferential right, unless there shall be convincing evidence that staff of Da Afghanistan Bank knew that the assets which came into the possession of Da Afghanistan Bank did not belong to the debtor concerned.

Article 116 Prohibited activities

- 116.1 Except as otherwise authorized by this Law, Da Afghanistan Bank shall not:
 - 1) grant any financial assistance, whether in the form of a direct loan or grant or a contingent commitment, or by purchasing a loan, a loan participation or another instrument of indebtedness, or through the assumption of a debt or a contingent liability, or in any other form, or engage in any other banking activity defined as such by the Banking Law;

- 2) engage in commerce, purchase the shares of any corporation, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking;
- 3) acquire by purchase, lease, or otherwise any ownership rights in or to immovable property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or for the housing of its employees or similar requirements of its functions under the provisions of this Law.

116.2 Da Afghanistan Bank may:

- 1) make loans to, or have an ownership share or participate in, any organization that is engaged in activities that are required for Da Afghanistan Bank's own functions or responsibilities;
- 2) acquire, in the course of satisfaction of debts due to it, any interests or rights; provided that all such interests or rights so acquired can be disposed of;
- 3) establish staff retirement funds or similar arrangements for the benefit or protection of its employees and their dependents and nominees, and make contributions towards the costs associated with such arrangements subject to specified terms and conditions;
- 4) establish a credit program for its employees for the purpose of their housing or the health or education of them and members of their family;

Article 117 Collection of statistical information

117.1 Da Afghanistan Bank shall collect the statistical information required for the achievement of its objectives and the carrying out of its tasks, from the competent authorities of Afghanistan or directly from economic agents. To that end, it shall cooperate with the competent authorities in other states and with international organizations.

117.2 Da Afghanistan Bank shall contribute to the harmonization of the rules and practices governing the collection, compilation and distribution of statistics within its fields of competence.

117.3 Da Afghanistan Bank shall define by regulation the statistical information and the form in which such information is to be provided to Da Afghanistan Bank, the persons that are to provide such information to Da Afghanistan Bank, and the confidentiality regime that shall apply to statistical information provided to Da Afghanistan Bank.

117.4 Da Afghanistan Bank may require all banks operating within the territory of Afghanistan to provide to Da Afghanistan Bank annual, quarterly, or

more frequent reports covering monetary statistics, income and expense reports, nonperforming loans and loan losses and provisioning, foreign-currency positions, interest rates, and other reports of activities. Da Afghanistan Bank shall be obliged to compile statistics in accordance with international standards and practices.

- 117.5 Da Afghanistan Bank may require all non bank financial institutions and agents operating in Afghanistan to provide to Da Afghanistan Bank annual, quarterly, or more frequent statistical reports.
- 117.6 Da Afghanistan Bank may compile and aggregate statistical information received from banks and other financial institutions as needed to meet its policy needs, to inform the public, and fulfill obligations to international organizations.
- 117.7 Da Afghanistan Bank may require that banks and other financial institutions and agents provide to Da Afghanistan Bank information on specific transactions, individuals, or firms as are needed to carry out its supervisory, policy, and statistical functions.
- 117.8 Da Afghanistan Bank shall not disseminate to the public statistical information revealing business relations of individuals or undertakings unless it has obtained the prior written permission by the individuals or the undertakings concerned to do so
- 117.9 Da Afghanistan Bank may provide information on the confidentiality of bank monetary records related to specific transactions, individuals, or firms to supervisors or other due authorities for the execution of their official duties.
- 117.10 The DAB may impose sanctions on banks, monetary institutions and agents, and their management in the event of incomplete information or late reporting, non-reporting, or inaccurate reporting.
- 117.11 Each person from whom Da Afghanistan Bank may collect statistical information pursuant to this Article, shall provide to such information in accordance with the relevant regulations. The failure to do so shall be punishable with imprisonment of not more than six months or payment of a fine of not more than 12,000 afghanis or both.

Article 118 Immunities

- 118.1 No person shall be liable in damages for any act or omission in the discharge of his functions under this Law while a member of the Supreme Council of Da Afghanistan Bank, or while a Governor, Deputy Governor, Comptroller General, officer, member of the staff, or agent of Da Afghanistan Bank, or while a conservator or receiver appointed pursuant

to this Law or the Banking Law, unless it is shown that the act or omission was in bad faith.

118.2 Da Afghanistan Bank shall be exempted from the following taxes and duties:

- 1) Taxes on income or profits.
- 2) Personal property taxes on assets.
- 3) Taxes on transfers of funds and other financial transactions.
- 4) Taxes in the form of stamp duties on issuance of Da Afghanistan Bank 's securities and banknotes.
- 5) Customs duties, import duties, sales taxes, value added taxes on imports of gold, banknotes, and coins to be delivered to Da Afghanistan Bank.
- 6) Sales tax on domestic supplies of gold, banknotes, and coins to Da Afghanistan Bank.

118.3 Da Afghanistan Bank shall be liable for property taxes on immovable property in accordance with the provisions of laws applicable to other ministries and administrations.

118.4 Da Afghanistan Bank shall be liable for any other taxes or duties, except as otherwise stipulated in the law.

Article 119 Standards of good administration

119.1 Da Afghanistan Bank shall fulfill the assigned objectives in accordance with law.

119.2 The decisions of Da Afghanistan Bank shall be impartial, in accordance with the law.

119.3 In carrying out its tasks and providing services, Da Afghanistan Bank shall be obliged to consider the benefits while imposing a restriction.

Article 120 Trust accounts

Da Afghanistan Bank may open trust accounts on its books for the administration by Da Afghanistan Bank of funds provided by foreign parties to the State or to a State Agency in accordance with the terms and conditions set out in trust account agreements. The assets recorded in such trust account may be used only for the discharge of liabilities recorded in the trust account or otherwise as provided in the trust account agreement

and no other assets of Da Afghanistan Bank may be used to meet liabilities. Da Afghanistan Bank shall charge a fee for such administration.

Article 121 Unlicensed and unregistered persons

121.1 Da Afghanistan Bank shall be empowered to enter the offices and to examine the accounts, books, documents and other records of any person if such person engages in an activity without a valid license, or a registration. In such cases, law enforcement officials shall assist Da Afghanistan Bank.

121.2 If a person engages in an activity without a valid license or a registration, Da Afghanistan Bank shall serve an order upon that person to cease such activity within one week. In case of violation, DAB shall refer the matter to the Commission. The Commission may decide that the assets, books and records of that person be seized and secured by Da Afghanistan Bank. Within one calendar week following the date of its decision, the Commission shall commence hearings concerning the matter in which shall participate Da Afghanistan Bank, the person addressed by the order of Da Afghanistan Bank, and such other interested parties as the Commission may invite. Upon conclusion of the hearings, the Commission shall either decide upon the liquidation of the assets of that person in accordance with the Banking Law or lift the seizure and decide that Da Afghanistan Bank must pay damages to such person. In case of liquidation, the proceeds of liquidation shall be used to pay judicial expenses and other costs of Da Afghanistan Bank, deposits of depositors, in that order of preference, while any remaining assets shall be returned to their owner or be forfeited to the State.

Article 122 Violations

A violation of this Law, the punishment for which is not otherwise specified, shall be punishable as an infraction in accordance with regulations as provided in Section 520 of the Penal Code or, in the absence of such regulations, shall be regarded as a violation of Article 478 of the Penal Code, and shall be prosecuted.

Article 123 imposing regulations

DAB may, in order to better apply the provisions of this law, enact regulations.

CHAPTER XIV TRANSITIONAL PROVISIONS

Article 124 execution of contracts and transactions

Every contract, sale, bill, note, instrument and security and every transaction, dealing, matter and thing relating to money or involving the liability to pay money that was made, executed or entered into, done or carried out before this Law enters into force shall, remain to be executed, done or carried out on or after that date.

Article 125 Commercial banking services

In any region of Afghanistan where commercial banking services are not provided to the public by banks, Da Afghanistan Bank shall be authorized to provide such services for commercial holders of account on its books that maintain an active place of business, for a period not more than two years from the effective date of this Law. Da Afghanistan Bank shall by written notice discontinue providing commercial banking services to the account holder in circumstances that banks provide such services in the region, and to close such account. Failure to provide or not to provide commercial banking services in accordance with this Article shall not affect the validity or enforceability of agreements concluded by Da Afghanistan Bank for the provision of such services.

Article 126 Independent auditing commission

Within one month of the effective date of this law, an independent commission will be established comprising national and international experts, including auditors, central banking experts and such other experts as may be necessary to determine and evaluate all assets and liabilities including contingencies of Da Afghanistan Bank, including shareholdings in state owned enterprises, and assets, including cash and gold held in foreign accounts, and to adopt a balance sheet audited in accordance with international auditing standards by independent external auditors. On the basis of this information, the commission shall recommend within five months of its establishment on:

- 126.1 The level of authorized capital for Da Afghanistan Bank;
- 126.2 The mechanism of allocating of funds to reserved accounts;
- 126.3 The process of divesting Da Afghanistan Bank of its shares in state owned enterprises and tracing other unrelated assets;
- 126.4 The debts of the previous governments owed to Da Afghanistan Bank.

Article 127 Foreign accounts maintained for state enterprises

Da Afghanistan Bank shall be required within six months after the effective date of this Law unilaterally to close and to liquidate all accounts that it maintains with foreign financial institutions on behalf of domestic state enterprises, and to terminate all agreements applicable to such accounts, and to return to the State the net aggregate amount of assets of such accounts. The net aggregate amount of assets shall be calculated by Da Afghanistan Bank by adding the amounts of assets of such accounts in terms of afghanis and deducting from that total all amounts owed to Da Afghanistan Bank in terms of afghanis in connection with such accounts. For each calculation of the net aggregate amount of assets of an account, only exchange rates quoted on the same day shall be used. If the net aggregate amount of assets is negative, the State shall pay this amount to within six months after notification thereof by Da Afghanistan Bank.

Article 128 Relicensing

Every person who on the date that this Law enters into effect carries a license issued by Da Afghanistan Bank shall apply to Da Afghanistan Bank for a new license within six months and that license shall be deemed to terminate on the date that the application for a new license is rejected.

Article 129 Nominee of Minister of Finance on Supreme Council

During the first three years following the effective date of this Law, one of the members of the Supreme Council of Da Afghanistan Bank, other than the Governor and the First Vice Governor, shall be appointed after having been nominated by the Minister of Finance.

Article 130 Citizenship suspended

The requirement of citizenship of Afghanistan to be eligible for membership of the Supreme Council and the Executive Board shall be suspended during the first two years following the effective date of this Law.

Article 131 Deferred enactment of Articles relating to political activities

The provision of Article (4) paragraph (5) and Article (12) paragraph (1) sub para (8) regarding political activities shall become effective on the first day of the successor administration of the Transitional Islamic State of Afghanistan.

Article 132 Gradual introduction of prudential requirements

132.1 Da Afghanistan Bank shall be authorized to introduce by regulation the prudential requirements of this Law and those of the Banking Law

gradually to Afghanistan. These prudential requirements shall be introduced within three years of the effective date of this legislation.

- 132.2 If Da Afghanistan Bank is not able to carry out its prudential tasks, Da Afghanistan Bank may exempt from the provision of paragraph 1 of this Article foreign exchange dealers, payment system operators, money service providers, securities service providers or other persons submitted to its oversight pursuant to Da Afghanistan Bank Law or Banking Law.

Article 133 Provision regarding appointments to Supreme Council

In the absence of a Parliament in Afghanistan, members of the Supreme Council of Da Afghanistan Bank shall be appointed by the President of Afghanistan.

Article 134 Entry into force

This Law shall enter into force when signed and shall be published in the Official Gazette. Upon the enforcement of this law, the law on money and banking published in official gazette # 770 , dated 16/8/1377 and other legislation and provisions pursuant to the law on money and banking shall be abolished.