

EURASIAN CORPORATE GOVERNANCE ROUNDTABLE

TRANSPARENCY AND DISCLOSURE QUESTIONNAIRE

Using Chapter IV of the OECD Principles of Corporate Governance as a benchmark, the questionnaire has been established in order :

- To gain a better understanding of transparency and disclosure issues in Eurasian countries;
- To permit countries from the region compare their practices; and
- To help identify gaps between local law and practice.

Please send back this questionnaire by the 15 February 2003.

The English version should be sent to Elena Miteva: elena.miteva@oecd.org / Fax +33 1 49 10 43 53 – Tel: +33 1 49 10 43 43

Questionnaire guideline:

- The data and comments should focus on publicly traded/listed companies and corporate groups (although observations on closed Joint Stock Companies are also welcome).
- No original research, such as new data gathering, is required for this questionnaire. Responses should concentrate on surveying existing data and literature.
- In some cases, complete and well-supported answer to questions will not be possible, due to a lack of data or the inapplicability of specific questions in the local context. Nevertheless, following the present outline as closely as possible will make cross-country comparisons easier in the future.

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Questionnaire

A-What is the role of your institutions regarding financial and non-financial disclosure?

Financial and non-financial disclosure matters are regulated by the Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01. The Law regulates obligation of investment institutions to disclose financial and other corporate information (Article 6) and sets forth responsibilities of the investment institutions for non-reporting or non-disclosure of required information. Main controlling institution on the securities market in the country is the Republican Centre for Coordination and Control of Securities Market (the "CSM"). The CSM is subordinate to the State Committee on Privatisation and Encouragement of Entrepreneurship, which is turn subordinate to the Cabinet of Ministers of the Republic of Uzbekistan. The CSM has its territorial departments in every region of the Republic of Uzbekistan. In total there are twelve regions in the Republic and one autonomous republic with the status of region. One of the main authorities of the CSM is to secure observance of securities regulations and distribution of information on participants of the securities market.

1. What is the role of your institution in establishing disclosure standards (specify)?

Our law firm is not engaged in establishing disclosure standards, although during 1993-94 Gouldens (London office) we have assisted the Uzbek Ministry of Finance in drafting securities regulations. This was TACIS Project.

2. What is the role of your institution in enforcing disclosure rules/ regulations (specify)? What sanctions can it impose?

N/a

3. What are your institution's other roles and responsibilities (i.e. licensing, training, etc.)?

N/a

B- Country background information

First statute of the Republic of Uzbekistan regulating status and activity of joint-stock companies was the Law "On Economic Associations and Partnerships" was adopted on 9 December 1992. Before introduction of the Law, companies were established and functioned in accordance with the Resolution of the Council of Minister of the USSR. The Law "On Economic Associations and Partnerships" of 1992 differentiated open and close joint-stock companies. The Law contained only 10 articles regulating joint-stock companies and did not clearly govern obligations for the joint-stock companies regarding disclosure of financial information, although the Law provided for the shareholders the right to obtain information (including financial and accounting information) from the company. The new Law "On Joint-Stock Companies and Protection of Rights of Shareholders" was adopted on 26 April 1996 and has nullified previous Law of 1992. The Law of 1996 was drafted on the basis of the Russian Law "On Joint Stock Companies" and has devoted more attention to reporting and disclosure matters. Particularly the Law included Section XI governing reporting, accounting and information disclosure issues (Articles 105-109).

1. Number of Joint Stock Companies:

1.1 Number of Open Joint Stock Companies (publicly listed / traded companies):

Information regarding quantity of open joint-stock companies is not publicly available. One of the reasons, is because there is no single register for recording registered joint-stock companies. At the moment an open joint-stock company can be registered by the Ministry of Justice (including its regional departments) or by a district administration (there are over 150 districts throughout the country). Both registering organs maintain records of registered entities.

1.2 Number of Closed Joint Stock Companies (non publicly listed / traded limited companies):

Information regarding quantity of open joint-stock companies is not publicly available. One of the reasons, is because there is no single register for recording registered joint-stock companies (see Item 11.). At the moment a close joint-stock company can be registered by the Ministry of Justice (including its regional departments) or by a district administration (there are over 150 districts throughout the country). To our opinion there are over 5000 joint-stock companies in the Republic of Uzbekistan.

C- Does the corporate governance framework ensure that timely and accurate disclosure is made on all material matters regarding the corporation?

Corporate governance framework to a certain degree ensures disclosure of information on material matters related to company. Although the Law "On Joint-Stock Companies and Protection of Rights of Shareholders" was adopted on 26 April 1996 sets forth disclosure requirements, which are respected by most of the companies mainly for the reason they may fall under annual checking of the controlling organs. Such coordinated checking are carried out by joint group of the officers of different state departments and controlling institutions (such as taxation, statistics, prosecutors etc., including organs controlling securities market).

1. Is the company required to prepare annual (or more frequent) audited financial statements showing the financial performance and the financial situation of the company?

Under Article 105 of the Uzbek Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 (JSC Law) open and close companies are required to prepare annual audited financial statements showing the financial performance of the company. Prior presenting such statement to the general shareholders' meeting the company's management must arrange auditing thereof. Further according to Article 108 of the JSC Law open joint-stock companies must publish annual statements containing accounting balance and the balance of profits and losses. Similar provision requiring joint-stock companies to publish annual statements on the company's economic results are contained in Article 26 of the Law "On the mechanism of functioning of the securities market" and Article 12 of the Law "On securities and stock exchange".

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Such requirement is contained in the laws regulating companies, stock exchanges and other related laws as follows:

- 1) the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 (Articles 65, 105, 108);
- 2) the Law "On securities and stock exchange" № 918-XII dated 02.09.93 (Article 12);
- 3) the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 (Article 26);
- 4) the Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01 (Article 5);
- 5) Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market".

Is this applied in practice?

Yes. This is applied in practice. Non-publishing of annual reports may lead to imposing of monetary penalties on the defaulted companies by the Republican Centre for Coordination and Control of the Securities Market (CSM).

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedures are following:

According to the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market" the Republican Centre for Coordination and Control of

the Securities Market (CSM) including its territorial subdivisions shall be a controlling organ authorised to impose sanctions for the breach of securities regulations.

According to Article 31 of the Law "On mechanism of functioning of the securities market" № of 218-I of 25.04.96 controlling organ (CSM) has the right to impose sanction for:

- 1) non-publishing or non-timely publishing or failure to present reports to the controlling organs in the amount of 70 minimum monthly salary (presently one MMS is around 4,5 US\$); and
- 2) breaching of procedure of accounting and reporting on [corporate investors and securities transactions] profits and losses shall be fined in the amount of 600 times minimum monthly salary (presently one MMS is around 4,5 US\$);

2. Is the company required to include in annual reports :

2.1 Company objectives and strategy?

The Law "On Securities and Stock Exchange" No. 918-XII of 2 September 1993 regulates in Article 12 procedures and content of the annual reports of the companies. There is no requirement for including of information of company objectives and strategy to the annual reports. Article 26 of the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 regulates matters related to disclosure of information by companies in their annual reports. Similarly there is no requirement for publication of information on the company objective and strategy.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 does not provide for company's obligation to publicise information of the company's objective and strategy. The Law "On securities and stock exchange" № 918-XII dated 02.09.93 similarly has no such provisions. The Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 also contains no requirement for inclusion of information on company objective and strategy to the annual report.

The Law "On the protection of rights of investors on the securities market" has provisions regulating investment institution's obligation to present information to public in Article 5 of the Law, but there is no requirement for disclosure of information on the company objective and strategy.

Other relevant laws and regulations do not directly regulate the matter.

Is this applied in practice?

This is not applied in practice.

What are the enforcement procedures? Are there any sanctions (specify)?

N/a

2.2 Major share ownership and voting rights?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

According to the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market" an open joint-stock company must publish information on the substantial facts. Information on substantial fact must be notified in writing to the Centre for Coordination and Control of the Securities Market and shall be published in mass media in two days after appearance of appropriate fact. One of the Substantial facts under Item 15(6) of the above Order is appearance in the share ledger of a shareholder holding 35% or more shares of the company of particular type. Further according to the Law "On securities and stock exchange" № 918-XII dated 02.09.93 a company must in two days inform the Centre for Coordination and Control of the Securities Market and Stock Exchange of changes in the ownership of shares. Other relevant laws and regulations do not directly regulate the matter.

Is this applied in practice?

This requirement for notification of controlling organs and public of the substantial fact and particularly of holding 35 or more shares is applied in practice, because the Centre for Coordination and Control of the Securities Market exercises control over observance of the requirement.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

According to the Regulation "On composing and presenting reports on securities" (adopted by the Ministry of Finance, State Committee on Management of State Property and State Committee on Macroeconomics and Statistics) registered by the Ministry of Justice № 710 29.04.99 the registering organ (the Centre for Coordination and Control of the Securities Market) has authority to suspend or annul registration of

securities in the event of breach of reporting regulations or can impose sanctions. Such sanctions include a fine ranging from 70 to 100 minimum salaries (one minimum salary presently equivalent to 4,5 US\$) for non-presenting or non timely presentations of mandatory information or for avoiding or refusing to present relevant information.

Under the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 companies breaching obligation to publish or timely publish or present appropriate reports may be imposed economic sanctions starting from 70 minimum salaries (one minimum salary presently equivalent to 4,5 US\$).

2.3 Related party transactions (management's direct or indirect interest in any material transaction to which the company or any of its subsidiaries was or is to be a party)?

The (Article 91-92) regulate events when member of the company's management organ enters into related party transactions. A person will be interested in a transaction if it is a member of the supervisory board, a person involved in any management body, a shareholder (shareholders) holding at least 20% of the voting shares of the company. Described persons are obliged to notify the supervisory board, the audit commission and the auditor of: the legal entities in which they or they together with their affiliated persons or person hold more than 20% of shares; legal entities in whose management bodies they are involved; and the completed or known or proposed transactions in which they could be interested parties.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

This is required by the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 (see above comment). Other relevant laws and regulations do not directly regulate the matter.

Is this applied in practice?

We have no statistics of application of this provision, but we do not exclude that it is not widely applied in practice, since there are no sanctions for breach of this obligation. From our experience we know that corporate governance standards are often breached are not developed in Uzbekistan even those standards which provided by the law are often not respected.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedures concerning related party transactions are not provided in the law, although Article 94 of the JSC Law states that a transaction in which someone has an interest and which is concluded without reference to this law (Article 93) may be declared void by the supervisory board or the general meeting. The interested party is liable to the company for losses caused by it. If several people are liable they shall be liable jointly and severally.

General enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control

of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

2.4 The identity and the professional background of board members and key executives, and their individual or collective remuneration?

According to the Order of Centre for Coordination and Control of the Securities Market "On adopting of the Regulation on the release of information by the participants of the securities market" the identity of the board members and members of the executive body must be provided with the company's annual report. There is no requirement in the Uzbek regulations regarding presentation or publication of information on the individual or collective remuneration of members of executive organs.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market" requires the company to notify the Centre for Coordination and Control of the Securities Market of the appointment (election) or replacement of the member of the executive organ or board of directors. Similar obligation to inform the public at least once a year (in the annual report) of the changes in the personalities of the management organs of the company is provided in Article 12 of the Law "On securities and stock exchange" № 918-XII dated 02.09.93. Other relevant laws and regulations do not directly regulate the matter.

Is this applied in practice?

This requirement is applied in practice to the degree it is compulsory for the companies to notify of changes in the personalities of the company management organs.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or

received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission, which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

Under the Law "On mechanism of functioning of the securities market" № of 218-I of 25.04.96 (Article 31) CSM may impose a fine up to 70 minimum monthly salaries for "[...] non presentation or non-timely presentation of reports or information". We assume this covers responsibility for failure to supply information on the management.

2.5 Directors' and key executives' ownership interest in company shares?

Is this required by the company law or by the stock exchange regulation?

Annex 2 to the Regulation "On composing and presenting reports on securities" (adopted by the Ministry of Finance, State Committee on Management of State Property and State Committee on Macroeconomics and Statistics) registered by the Ministry of Justice № 710 29.04.99 sets forth requirement for presenting information on the ownership interest of the members of the executives organs in the company shares. Other relevant laws and regulations do not directly regulate the matter.

Is this applied in practice?

Yes this is applied in practice, especially when it concerns reporting to the Centre for Coordination and Control of the Securities Market.

What are the enforcement procedures? Are there any sanctions (specify)?

General enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission, which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

Law does not set forth sanctions specifically for non delivery of information on company officers' ownership interest in shares, although there is an obligation to provide complete reports. According to the Regulation "On composing and presenting reports on securities" (adopted by the Ministry of Finance, State Committee on Management of State Property and State Committee on Macroeconomics and Statistics) registered by the Ministry of Justice № 710 29.04.99 the registering organ (the Centre for Coordination and Control of the Securities Market) has authority to suspend or annul registration of securities in the event of breach of reporting regulations or can impose sanctions. Such sanctions include a fine ranging from 70 to 100 minimum salaries (one minimum salary presently equivalent to 4,5 US\$) for non-presenting or non timely presentations of mandatory information or for avoiding of refusing to present relevant information.

2.6 Material foreseeable risk factors (trends or uncertainties that are expected to have or have had a material impact on the company)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market" contains requirement for including to the reports information on the foreseeable risk factors that had a material impact on the company. Although there isn't explicit requirement for reporting on the "foreseeable risk factors" in the applicable regulations, Item 9 of the Regulation "On the release of information by the participants of the securities market" states the company report must contain information on substantial facts. Definition of "substantial facts", which is provided in the Regulation includes following facts: 1) reorganisation of the issuer of securities, its subsidiaries and related companies; 2) facts which lead to immediate increase or decrease of the value of assets of the issuing company for over 10%; 3) facts leading to immediate increase or decrease of net profits or losses of the company; 4) facts of single transactions of the company, which exceed 10% of the value of assets of the company as at the date of the transaction; 5) allocation or payment of dividends; 6) appearance in the share ledger of a shareholder owning 35 or more % of shares of particular type; 7) coming of the date of closure of share ledger; 8) coming of the date of fulfilment by the company of its obligations in relation to share owners; 9) decisions of the company; 10) changes in the personalities of the management organs of the company; 11) arresting of the bank accounts of the company; 12) destroying of more than 10% of assets of the company; 13) laying a claim against the company where the claim exceeds 10% of company assets; 13) changing of rights to the shares.

Other relevant laws and regulations do not directly regulate the matter.

Is this applied in practice?

From our discussions with a number of managers of joint-stock companies we understood that the controlling organs do not specifically demand from the companies reporting on the foreseeable risk factors. But since corporate documents (including constitutive documents such charter or other) may contain specific requirements, we do not exclude that in relevant cases companies may be obliged to observe such provisions and report accordingly to the general public, shareholders or controlling organs.

What are the enforcement procedures? Are there any sanctions (specify)?

General enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

2.7 Material issues regarding employees and other stakeholders (management-employee relations, business ethics, environment, or other public policy concerns)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

We could not find out in the applicable Uzbek regulations provisions establishing company's obligation to publish or to report on the employment and stakeholders (management-employee relations, business ethics, environment, or other public policy concerns). Although such an obligation may fall under the category of other requirements set forth by the charter of the company or its internal regulations or decisions of its management organs (Item 8 of the Regulation "On disclosure of information by participants of the securities market" № 2002-6 of 27 March 2002 [approved by the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market"].

Or it may also fall under the category of substantial facts provided by the same Regulation (see above):

"2) facts which lead to immediate increase or decrease of the value of assets of the issuing company for over 10%; 3) facts leading to immediate increase or decrease of net profits or losses of the company; [...] 5) allocation or payment of dividends; [...] 9) decisions of the company; 10) changes in the personalities of the management organs of the company; [...] 12) destroying of more than 10% of assets of the company; 13) laying a claim against the company where the claim exceeds 10% of company assets.

Other relevant laws and regulation do not directly regulate the matter.

Is this applied in practice?

Since there is no explicit requirement to provide reports on the material issues related to employees or shareholders of the company, the latter is not applied in practice unless at the companies own will, if such is required by company's internal documents.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: the Republican Centre or the Council of the Republican Centre.

2.8 The governance / organisational structure of the company (i.e. key positions in the company)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

There is no requirement in the Uzbek legislation regarding notification by the company of the governance/organisational structure of the company.

Is this applied in practice?

We do not exclude that a company may be obliged to present such information if the latter is provided in its corporate documents. But as was mentioned above there is mandatory requirement for notification of the public of the organisation structure of the company. But not such requirement is stipulated by legislation.

What are the enforcement procedures? Are there any sanctions (specify)?

N/a

2.9 An analysis of the company's operational results?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Annex 2 to the Regulation "On composing and presenting reports on securities" (adopted by the Ministry of Finance, State Committee on Management of State Property and State Committee on Macroeconomics and Statistics) registered by the Ministry of Justice № 710 29.04.99 states company's annual report shall include "dynamics of company's production output for the last 3 years (Item 5) and information on the use

of company profits for the last three years" (the latter also includes following information: gross income, taxes, net profit, share of profit allocated to reserve fund, share of profit allocated as dividend, date and form of payment of dividend).

The Law "On securities and stock exchange" № 918-XII dated 02.09.93 in Article 12 requires a company issuing securities to publish at minimum once a year information regarding the company's financial standing and economic results for the former period. This may include analysis of the operational results of the company.

Other relevant laws and regulations do not regulate the matter.

Is this applied in practice?

Above requirements are applied in practice, although formally in order to satisfy requirements of the mandatory provisions of the regulations.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

3. Is the company required to disclose extraordinary developments affecting the company (i.e. mergers/acquisitions, resignation of key executives, filing for bankruptcy, etc.)

The company is required to disclose extraordinary developments affecting the company. The latter is governed by Item 9 of the Regulation "On disclosure of information by participants of the securities market" № 2002-6 of 27 March 2002 [approved by the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market"]. Item 9 of the Regulation "On the release of information by the participants of the securities market" states the company report must contain information on substantial facts. Definition of "substantial facts", which is provided in the Regulation includes following facts: **1) reorganisation of the issuer of securities, its subsidiaries and related companies;** 2) facts which lead to immediate increase or decrease of the value of assets of the issuing company for over 10%; 3) facts leading to immediate increase or decrease of net profits or losses of the company; 4) facts of single transactions of the company, which exceed 10% of the value of assets of the company as at the date of the transaction; 5) allocation or payment of dividends; 6) **appearance in the share ledger of a shareholder owning**

35 or more % of shares of particular type; 7) coming of the date of closure of share ledger; 8) coming of the date of fulfilment by the company of its obligations in relation to share owners; 9) **decisions of the company;** 10) **changes in the personalities of the management organs of the company;** 11) **arresting of the bank accounts of the company;** 12) destroying of more than 10% of assets of the company; 13) **laying a claim against the company where the claim exceeds 10% of company assets;** 13) changing of rights to the shares.

The Law "On securities and stock exchange" № 918-XII dated 02.09.93 requires the company to report in two days to the controlling organs (the Centre for Coordination and Control of the Securities Market) and publish following information (together with the other information):

- on the changes in the personal composition of the management organs of the company;
- on the arresting of the bank accounts of the company;
- on the commencement of activities on recovery of the company (the sanation) after its insolvency;
- on the reorganisation of the company;
- etc.

Article 26 of the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 also contains requirement for publication of following information regarding the company:

1) **reorganisation of the issuer of securities, its subsidiaries and related companies;** 2) facts which lead to immediate increase or decrease of the value of assets of the issuing company for over 10%; 3) facts leading to immediate increase or decrease of net profits or losses of the company; 4) facts of single transactions of the company, which exceed 10% of the value of assets of the company as at the date of the transaction; 5) allocation or payment of dividends; 6) **appearance in the share ledger of a shareholder owning 35 or more % of shares of particular type;** 7) coming of the date of closure of share ledger; 8) coming of the date of fulfilment by the company of its obligations in relation to share owners; 9) **decisions of the company;** 10) **changes in the personalities of the management organs of the company.**

Article 8 of the Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01 states that a company shall bear economic responsibility for non-presenting or non-timely presenting of information stipulated by the legislation.

Other relevant laws and regulations do not regulate the matter.

4. What accounting standards are used?

4.1 Are companies required to prepare accounts in accordance with local or recognised International Accounting Standards (specify)?

Article 105 of the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 states the company must produce audited accounts and a financial report in the manner provided by legislation. Further according to Article 107 the company must provide shareholders with information set out in the first part of Article 106 except for documents relating to the auditors accounts and protocols of executive body meetings.

Accounting in the Republic of Uzbekistan is regulated by the Law "On accounting" № 379-I of 30.08.96. According to Article 5 of the Law the accounting standards shall be adopted by the Ministry of Finance of the Republic of Uzbekistan. National Standards of Accounting are adopted by the Order of the Ministry of Finance № 103 of 09.09.02. International Accounting Standards can be applied in practice, but in addition to the National Standards.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Carrying out of accounting is regulated by the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96. Article 105 of the Law sets forth that the responsibility for organization, condition and reliability of book keeping in the company, the duly representation of the annual report and other financial reporting in the appropriate bodies, and also items of information on activity of the company, given to the shareholders, creditors and in mass media, shall bear the executive body in accordance with legislation.

Other relevant laws and regulations do not specify if the accounting reports shall be presented in accordance with local or international standards. There is general requirement to present audited accounting reports (accounting balance) as part of the annual company's report.

Is this applied in practice?

These requirements are applied in practice if company decides to do so, but it is mandatory to carry out accounting in accordance with local standards. International Accounting Standards are not mandatory and may be applied in addition to local accounting standards.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

According to Article 31 of the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 the Centre for Coordination and Control of the Securities Market may impose a fine in the amount of 600 times minimum monthly salary (presently equivalent to 4,5 US\$) for the breach of accounting and reporting on investors, transactions with securities, profits and losses. Applicable law and regulations do not contain specific responsibility for non-applying local or international standards of accounting.

4.2 What are the major differences between the local and International Accounting Standards?

Major difference between the both standards is that under the local standards (National Standards of Accounting) the accounting is carried out on the basis of duplicated (dual) recording, which implies that a company must record a sum simultaneously on the debts and credits accounts.

4.3 What are, in your opinion, the major deficiencies of the local accounting standards?

Local accounting standards are too complicated and hard to read for non-professionals.

4.4 Is there a programme for implementing IAS (specify)?

There is program for implementing of IAS. One of the Programs was conducted by TACIS project in cooperation with the Ministry of Finance. At the moment a number of auditing companies provide education and assistance in transferring accounting from local standards to IAS. A number of foreign companies operating in Uzbekistan in addition to local accounting standards apply IAS.

5. Are the annual accounts required to be audited? If so how frequently and by whom?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Under the Article 105 of the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 "the accuracy of the information contained in the annual report and the accounts must be approved by the audit commission". Before publication of the above documents the company must ensure that the accounts are audited by an independent auditor. The annual account must be approved by the supervisory board within 30 days of the **annual** general meeting.

Is this applied in practice?

Yes, this is applied in practice. The Law "On joint-stock companies and protection of rights of shareholders" sets it as an obligation of the management of the company to publish in the media of an annual report of profit and loss and accounts of the company. Prior publication it is required to conduct auditing by independent auditor.

What are the enforcement procedures? Are there any sanctions (specify)?

According to Article 31 of the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 the Centre for Coordination and Control of the Securities Market may impose a fine in the amount of 600 times minimum monthly salary (presently equivalent to 4,5 US\$) for the breach of accounting and reporting on investors, transactions with securities, profits and losses. Applicable law and regulations do not contain specific responsibility for non-applying local or international standards of accounting.

According to the Regulation "On composing and presenting reports on securities" (adopted by the Ministry of Finance, State Committee on Management of State Property and State Committee on Macroeconomics and Statistics) registered by the Ministry of Justice № 710 29.04.99 the registering organ (the Centre for Coordination and Control of the Securities Market) has authority to suspend or annul registration of securities in the event of breach of reporting regulations or can impose sanctions. Such sanctions include a fine ranging from 70 to 100 minimum salaries (one minimum salary presently equivalent to 4,5 US\$) for non-presenting or non timely presentation of mandatory

information or for avoiding of refusing to present relevant information. Similar sanctions are contained in Article 31 of the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96.

6. What is the role of the board of directors in ensuring that the company complies with financial and non-financial disclosure requirements?

According to Article 105 of the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 the responsibility for organization, condition and reliability of book keeping in the company, the duly representation of the annual report and other financial reporting in the appropriate bodies, and also items of information on activity of the company, given to the shareholders, creditors and in mass media, shall bear the executive body in accordance with legislation.

The Law "On joint-stock companies and protection of rights of shareholders" sets forth following three management organs of the company: general shareholders meeting, supervisory board and executive organ. Supervisory board under the Law is intermediate supervisory organ between the general shareholders meeting and the executive. Supervisory board is not an executive body in the company as it is mainly designed to carry out certain authorities of the general shareholders meeting during the period between the meetings. Companies with less than 50 shareholders may avoid establishing the supervisory board. Matters referred to the competence of the supervisory board may not be referred to another body of the company. The executive body shall implement the day to day activity of the company and shall carry it out in a group (management, directorate) or by a person (director). The executive body of the company shall be responsible for all matters relating to the day to day activity of the company except those matters referred to the exclusive competence of the general meeting or the supervisory board. Under Article 63 of the Law following are within the exclusive competence of the general meeting of shareholders: approval of the annual reports, accounting balance sheets, profit and loss accounts, distribution of profit and losses (only at the proposal of the supervisory board, unless otherwise specified in the charter).(Article 86). Article 88 states that management bodies or managers are liable **towards the company** in accordance with legislation and the charter of the company. Such liability is economic.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Above is regulated by the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96. Other applicable laws and regulations do not contain explicit obligations of the management of the company relating to the company's obligation to disclose information.

Is this applied in practice?

This is applied in practice. In accordance with the existing practice in the event of imposing a penalty on the company the company's management also imposed fines by the controlling organ.

What are the enforcement procedures? Are there any sanctions (specify)?

The law does not specify an event when company's management shall bear additional or separate responsibility for breaching applicable laws and regulations. All sanctions which are specified in Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 are the sanctions which are imposed on the corporate entity. The Administrative Code of the Republic of Uzbekistan does not provide sanctions on the officers of the management organs for the breach of disclosure obligations under the norms of the administrative code.

General enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

7. What is the role of the management in ensuring that the company complies with financial and non-financial disclosure requirements?

Please see responses to the above question 6.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Article 105 of the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 states that the responsibility for organization, condition and reliability of book keeping in the company, the duly representation of the annual report and other financial reporting in the appropriate bodies, and also items of information on activity of the company, given to the shareholders, creditors and in mass media, shall bear the executive body in accordance with legislation. The Uzbek legislation does not provide any specific sanction to be imposed on the company's management for the breach of the above provisions. There is not responsibility provided under the Administrative Code of the Republic of Uzbekistan or other applicable laws and regulations.

Is this applied in practice?

To our understanding management of the company cannot be imposed administrative sanctions.

What are the enforcement procedures? Are there any sanctions (specify)?

Uzbek law provides no enforcement procedure for imposing sanctions on the officers of company's management organs

8. Are auditors required to be independent (e.g. no material relationships with the company including other fee-generating activities)? If so, how is independence defined? Who appoints the auditor?

The auditor (a person or auditing organisation) shall audit the financial activity of the company in accordance with agreements concluded between them Article 111). Under Article 69 of the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 Shareholders shall be notified in writing of general meetings (with compulsory confirmation of receipt) and a corresponding publication in the press. The notification shall contain the annual report, the conclusions of the audit commission and the auditor on the annual financial results. Further Article 111 states that the auditor (a person or auditing organisation) shall audit the financial activity of the company in accordance with agreements concluded between them. Although it isn't specified explicitly that the auditor shall be a third party in relation to the company, the latter is implied by the saying that "the auditor (a person or auditing organisation) shall audit the financial activity of the company in accordance with agreements concluded between them." (Article 111/2). Independence of the auditor is not defined in the applicable regulations. Auditor is appointed by the general shareholders meeting of the company.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

This matter is regulated exclusively by the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96.

Is this applied in practice?

From our experience we know that this is applied in practice. Auditors' activity is licensed by the Ministry of Finance of the Republic of Uzbekistan.

What are the enforcement procedures? Are there any sanctions (specify)?

N/a

9. Are auditors liable for negligence or other wrongdoing (specify)?

Audit activity in Uzbekistan is governed by the Law "On audit activity" of 26.05.00 № 78-II. According to Article 8 of the Law auditors are liable towards their client companies and other users of audit reports "for causing damage in the result of presenting an audit report containing wrong conclusions on the financial reporting or other financial information of the company."

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Liability of auditors for negligence is regulated by the Law "On audit activity" of 26.05.00 № 78-II. Other applicable laws and regulations do not govern auditors' liability.

Is this applied in practice?

Yes. Provisions of the law on the auditors' liability are applied in practice.

What are the enforcement procedures? Are there any sanctions (specify)?

No specific enforcement procedures for provided by the law. Auditors' liability will be enforced in accordance with the general procedures regulated by the economic procedure code. No sanctions provided by the applicable legislation.

Who has the right to seek redress (i.e. shareholders, managers, the state, or other stakeholders)?

According to Article 8 of the Law "On audit activity" of 26.05.00 № 78-II auditors are liable to their client companies and other users of audit reports "for causing damage in the result of presenting an audit report containing wrong conclusions on the financial reporting or other financial information of the company." The right to seek redress have shareholders, other stakeholders, the state and managers as all these categories are covered by Article 8. According to the Law the right to seek redress belongs to any persons who can use audit reports.

10. Does the legal framework require companies to disclose to a specific range of users (i.e. SRO's, shareholders, securities regulators, etc.)? If so, does the legal framework distinguish what information must be disclosed to specific users and when this information must be disclosed?

According to the Regulation "On composing and presenting reports on securities" (adopted by the Ministry of Finance, State Committee on Management of State Property and State Committee on Macroeconomics and Statistics) registered by the Ministry of Justice № 710 29.04.99 a company must report to the organs registering securities, to local tax organs.

Further the Regulation "On disclosure of information by participants of the securities market" № 2002-6 of 27 March 2002 [approved by the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market"] requires presenting of relevant information to the investors, shareholders, stock exchange and the controlling organ (the Centre for Coordination and Control of the Securities Market).

The legal framework distinguishes what information must be disclosed to specific users and when the information must be disclosed.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The Law "On securities and stock exchange" № 918-XII dated 02.09.93 requires a company to notify the controlling organ (the Centre for Coordination and Control of the Securities Market) of the changes in the company's economic activity and on other events which may impact value of shares (Article 12).

The Regulation of the Republican Centre for Coordination and Control of the Securities Market "On disclosure of information by participants of the securities market" № 2002-6 of 27 March 2002 further governs what reports and when to be presented to the investors, shareholders, stock exchanges and the controlling organs.

Is this applied in practice?

This is applied in practice.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

The Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01 establishes economic responsibility of companies for non-disclosure or under-disclosure or non-timely disclosure of relevant reportable information (Article 8 of the Law).

The Centre for Coordination and Control of the Securities Market may also apply to the court to seek protection of rights of investors or the rights of the state.

11. Do all shareholders receive a copy of the annual report and accounts or are they able to obtain them upon request?

All shareholders have the right to obtain copy of the annual report and accounts from the company (Article 27 of the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96). Further according to Article 69 of the Law the information to be presented to the shareholders in preparation for the meeting consist of the annual report, the conclusions of the audit commission and the auditor on the annual financial results. Additionally Article 107 states the company must provide shareholders with information set out in the first part of Article 106:

- the annual financial report;
- share issue prospectuses;
- documents relating to the financial report presented to the corresponding body;
- conclusions of the audit committee, the auditor and state bodies of financial control;

- other documents contemplated by the charter of the company or decisions of the management bodies and documents required by legislation.

Upon the request of a shareholder the company must provide (for a fee) copies of documents contemplated by the aforementioned law. The amount of payment shall be decided by the company and shall not exceed costs of copying and mailing.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Above is regulated by the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96. Similar provisions (Item 8) are provided in the Regulation "On disclosure of information by participants of the securities market" № 2002-6 of 27 March 2002 [approved by the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market"].

Is this applied in practice?

Yes, this is applied in practice, although we are aware of few occasions when the information was not presented to shareholders.

What are the enforcement procedures? Are there any sanctions (specify)?

The Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01 establishes economic responsibility of companies for non-disclosure or under-disclosure or non-timely disclosure of relevant reportable information (Article 8 of the Law). The Centre for Coordination and Control of the Securities Market may also apply to the court to seek protection of rights of investors or the rights of the state.

12. What are the channels of disclosure (i.e. dissemination through the press, over the internet, through the postal system)? Which are the most used?

Channels of disclosure provided in the applicable regulations are following^

- publication in the media (newspapers and magazines);
- dissemination via email;
- delivery by mail.

Other channels of disclosure although not prohibited but specifically not regulated by the applicable legislation.

Most used are publication in a newspaper when applicable (mostly when publication is addressed to general investors and shareholders) and delivery of report in hard copy (with the proof of delivery) to the controlling bodies.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Above is required by the Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01; the Law "On joint-stock companies and protection of rights of shareholders" of 26.04.96 (Articles 65, 105, 108); the Law "On securities and stock exchange" № 918-XII dated 02.09.93 (Articles 11 and 12); the Law "On the mechanism of functioning of the securities market" № of 218-I of 25.04.96 (Article 26); the Order of the Republican Centre for Coordination and Control of the Securities Market of 18.04.02 № 1127 "On adopting of the Regulation on the release of information by the participants of the securities market".

Is this applied in practice?

This is applied in practice.

What are the enforcement procedures? Are there any sanctions (specify)?

Enforcement procedure is regulated by the Regulation "On the procedure of reviewing matters and imposing sanctions for the breach of legislation of the Republic of Uzbekistan on securities market" adopted by the order of the Director of the Centre for Coordination and Control of the Securities Market of 13 March 2002 № 2002-4. The Centre can initiate reviewing of a matter based on the application, complaint or other information from physical persons or legal entities; documents or other documentary sources acquired in the process of checking or received as a report; public announcements and other data evidencing on the infringements or breaches of the legislation and rules. The Centre sets up a commission which carries out reviewing of infringement matters. Matters shall be considered in a monthly period. Infringing party must be invited to the meeting of the commission. The commission makes decision by voting of commission members. If infringement is minor and no sanctions provided in the legislation the commission may request the company to impose penalties provided under the labour code in accordance with the terms of labour relationships with the defaulted officer of the company. Decision of the commission can be appealed to superior organs: Republican Centre or the Council of the Republican Centre.

The Law "On the protection of rights of investors on the securities market" № 262-II of 30.08.01 establishes economic responsibility of companies for non-disclosure or under-disclosure or non-timely disclosure of relevant reportable information (Article 8 of the Law).

The Centre for Coordination and Control of the Securities Market may also apply to the court to seek protection of rights of investors or the rights of the state.

D- What are the training needs and existing training facilities for accountants and auditors?

1. Does the legal and regulatory framework specify the qualifications or recognition criteria that an accountant must satisfy in order to be certified as a public accountant?

Applicable regulations specify the qualifications and other criteria applied to a person to qualify as an accountant or auditor. Both professionals must demonstrate a diploma or a certificate of education on the speciality. Requirements towards auditors include at minimum 5 years practical experience as a corporate accountant, a diploma on accounting from a college or higher educational institution, passing through special examination and holding special auditor's license issued by the Ministry of Finance.

As regards an accountant there are no formal criteria for it. Formally any person can become a corporate accountant, but in practice companies often hire individuals holding accounting diploma from a higher education institution or a college.

2. Does company law or other laws and regulations specify the qualifications or recognition criteria that an auditor must satisfy in order to be able to conduct a statutory audit?

Neither Company Law nor other laws specify the qualifications or recognition criteria for an auditor to conduct a statutory audit.

3. Are there sufficient training facilities for accountants and auditors (specify)?

There are sufficient training facilities for accountants and auditors. Most of the training facilities are short-term private courses. But there are also a wide range of specialized education from one-year courses to five years education at higher educational institutions. Most of the Universities and Institutes have faculties on accounting (say Aviation Institute has accounting faculty specialising on accounting in the given area, but its under-graduates can work as accountants in any other area as most of the studied disciplines are general. It should be admitted that there is shortage of education in IAS.

As regards auditors there are specialized courses ranging from six months to two years under the auspices of the Republican Association of Auditors and other specialised educational institutions.

4. Do local auditors have sufficient training and resources to conduct audits according to International Auditing Standards? Are they sufficiently familiar with International Accounting Standards? If so, how do they gain such knowledge and experience?

We think local auditors do not have sufficient training and resources to conduct audits according to International Auditing Standards. IAS are not commonly known. Most of the knowledge of IAS can be gained at special courses arranged Republican Association of Auditors or the Ministry of Finance in cooperation with specialising foreign institutions.

5. Do companies have a dedicated accounting department? If so, does this department employ certified accountants? Who supervises the work of the accounting department?

All companies must have dedicated accounting departments. In most of the companies accountants are specialist with diplomas from colleges or high schools. The work of accounting department is supervised internally by the executive organ (management) and externally by the local tax inspection and department on statistics.

6. Do internal accountants have sufficient training and resources to prepare annual accounts according to International Accounting Standards?

From our experience we know that training on IAS in Uzbekistan is insufficient. Considerably small percentage of accountants in the companies has knowledge of preparing annual accounts according to IAS.

7. What is the total number of certified accountants? How many accountants are certified yearly?

Total number of accountants certified under IAS probably does not exceed 200. There is not system of certification of accountants under the IAS. There is no an association of accountants in Uzbekistan with mandatory membership, therefore it is difficult to name total amount of the accountants in the country, moreover not all accountants are professionals with the special diploma or educational background. As was mentioned earlier any person can become an accountant in a legal entity.

8. How many certified accountants engage in auditing functions on a full-time basis? (i.e. what is the total number of licensed auditors?)

Figures are not available publicly and most probably no such data available at all, since no single organ collects relevant information.

E- Can you describe one or several cases involving major violations of disclosure requirements? (i.e. denied access to information; accounting manipulation; non disclosure of required strategic information; etc.). What enforcement actions were taken in each case?

We are not aware of such cases.

F- What are from your point of view the impediments and deterrents to full disclosure by companies?

It worth noting that most of the presently existing open joint stock companies are the companies established in the process of privatisation. One of the main reasons for non-willingness to disclose information is that the latter is not within the interests of the power groups which control the privatised companies. Most of the former state-owned companies continue to be part of the concerns, holding or other associations which have formally replaced government ministries and departments, although in reality former hierarchy remains. In most of the cases subordination is backed up by shareholding, but in some occasions companies are controlled beyond legal grounds for that: just due to Government decisions. General problem derives from the lack of perception of the concept of transparency. Additionally from over a thousand open joint-stock companies only few are listed publicly at a stock exchange, which fact shall be of no surprise bearing in mind Uzbekistan lack convertibility of its local currency and no system of third party evaluators exists. Therefore shares very rarely reflect their true market value. Most of the evaluation is conducted by the Government related institutions and made to secure interests of the latter. Yet another shortage is that most of the open joint-stock companies keep their shares allocated exclusively among founders of the company. Equity financing instruments are not developed in the country as mostly not known or intentionally ignored. Government continues to extend preferential loans to former state-owned companies, especially if the latter linked to the Government, thus there is no need for the companies to issue additional shares or other corporate securities. As a consequence of the above policy public either has no chance in investing in the companies which are controlled by the government related power groups or where it has an option to invest the company appears to be of no interest. Additionally everyone

understands that information presented by most of the companies in the given legal environment and business culture is often far from being reliable, correct and feasible.

G- Please add any relevant information that has not been covered by the above questionnaire.