APPROVED
at the general meeting of
shareholders of UZCE
June 29, 2016

(Minutes No.73)

REGULATIONS
ON INTERNAL CONTROL OF A JOINT STOCK COMPANY "UZBEK REPUBLICAN CURRENCY EXCHANGE"

I. GENERAL PROVISIONS

1. This Regulation has been developed in accordance with the legislation of the Republic of Uzbekistan, the Corporate Governance Code, approved by the minutes of the meeting of the Commission on Improving the Efficiency of Joint-Stock Companies and Improving the Corporate Governance System dated December 31, 2015 No.9, and the Charter of the Uzbek Republican Currency Exchange JSC (hereinafter - UZCE).

2. This Regulation defines goals and objectives of the internal control system, principles of its functioning, bodies of the UZCE and persons responsible for internal control, as well as procedures and methods of internal control.

3. For the purposes of these Regulations, internal control means control over the implementation of financial and economic activities of the UZCE by the internal control bodies of the UZCE, management bodies and structural divisions of the UZCE.

II. GOALS AND OBJECTIVES OF THE INTERNAL SYSTEM CONTROL

4. Internal control is a continuously operating process built into the activities of UZCE and aimed at improving the efficiency of risk management, control and corporate governance processes in order to obtain reasonable and sufficient confirmation regarding the achievement of the goals of UZCE in the following areas:

operational efficiency, including the degree of operational efficiency, profit generation and asset protection;

reliability and reliability of financial reporting;

compliance with legislation and legal norms that regulate the activities of UZCE.

5. The internal control system is a set of organizational structure, procedures and methods of internal control, regulated by internal documents, organized and carried out on UZCE Audit Commission, Internal Audit Service, Supervisory Board, Executive Body of UZCE and employees at all levels (hereinafter referred to as subjects of internal control).

6. Requirements for the composition of members of the internal control bodies of the UZCE and the procedure for their activities are established by the Charter and internal documents of the UZCE.

7. Internal control procedures are a set of measures carried out by the Audit Commission of UZCE, the internal audit service, the Supervisory Board, the Executive Body of UZCE, as well as structural divisions of UZCE authorized to exercise internal control, and aimed at:

identification of violations of legislation, the Charter and internal documents of the UZCE in the implementation of financial and economic activities;

assessment of the effectiveness of UZCE achieving its goals;

interaction of subjects of internal control with each other in the process of implementing internal control procedures.

8. The main purpose of internal control is to ensure the protection of the rights and legitimate interests of all shareholders, including minority ones.

9. Internal control is designed to ensure operational control:

safety of assets, economical and efficient use of UZCE resources;

compliance with legal requirements, Charter and internal documents of UZCE;

implementation of the development strategy for the medium and long term, business plans of UZCE;

completeness and reliability of accounting documents, financial statements and management information of the UZCE;

identification, identification and analysis of risks at the time of their occurrence in the activities of UZCE;

planning and risk management in the activities of UZCE, including making timely and adequate decisions on risk management;

adequacy, transparency and objectivity of payment of remuneration and compensation members of the Supervisory Board of UZCE and internal control bodies;

ensuring the safety and justification of spending funds and material assets;

carrying out measures to protect property;

identifying reserves for reducing operating, service, administrative and other costs.

III. PRINCIPLES OF OPERATION OF THE INTERNAL CONTROL SYSTEM

10. The internal control system at UZCE is built on the following principles:

uninterrupted operation - constant and proper functioning of the internal control system allows UZCE to timely identify deviations from the norm and prevent their occurrence in the future;

accountability of all participants in the internal control system - the quality of performance of control functions by each person is controlled by another participant in the internal control system;

separation of duties - UZCE strives to avoid duplication of control functions, and these functions should be distributed among employees in such a way that the same person does not combine functions related to approving transactions with certain assets and ensuring their safety,

proper approval and approval of transactions - UZCE seeks to establish a procedure for the approval of all financial and business transactions by authorized persons within the limits of their respective powers;

responsibility of all subjects of internal control for the proper performance of control functions;

implementation of internal control based on clear interaction of all structural divisions of UZCE;

constant development and improvement – UZCE strives to provide conditions for flexible configuration of the internal control system so that it can be adapted taking into account the need to solve new problems, expand and improve the system;

timely transmission of messages about deviations - establishing the shortest possible time frame for transmitting relevant information to persons authorized to make decisions on eliminating deviations;

ensuring that transactions are approved and carried out only by those authorized to do so.

IV. COMPONENTS OF THE INTERNAL CONTROL SYSTEM

11. The internal control system includes the following interrelated components:

control environment, including the ethical values and competence of UZCE employees, management policies, the way management allocates powers and responsibilities, the structure of UZCE and staff development, as well as the leadership and management of the UZCE Supervisory Board;

risk assessment, which is the identification and analysis of relevant risks when achieving certain tasks that are interconnected at various levels and internally consistent;

control activities, which summarize the policies and procedures that help ensure that management decisions are carried out, and include a variety of activities, such as: issuing approvals, sanctions, confirmations, conducting audits, monitoring ongoing operations, guarantee of asset security and separation of powers;

information support and information exchange activities aimed at timely and effective identification of data, their registration and exchange, including, inter alia, the creation of effective information exchange channels in order to form an understanding among all subjects of internal control of the internal control policies and procedures adopted at UZCE and ensuring their implementation. UZCE takes measures to protect against unauthorized access to information;

monitoring is a process that includes management and supervision functions, during which the quality of the internal control system is assessed over time.

12. An assessment of the internal control system is carried out to determine the likelihood of errors affecting the reliability of financial reporting, to determine the significance of these errors and to determine the ability of the internal control system to ensure the fulfillment of assigned tasks.

13. To assess the effectiveness of the internal control system of UZCE, by decision of the general meeting of shareholders, based on the proposal of the Supervisory Board of UZCE, an independent professional organization - consultant can be involved.

V. BODIES AND PERSONS RESPONSIBLE FOR INTERNAL CONTROL

14. Internal control is carried out by the Audit Commission of UZCE, the internal audit service, the Supervisory Board, the Executive Body of UZCE, as well as employees of UZCE at all levels, and each bears responsibility for internal control in the prescribed manner.

15. Functions, rights and obligations, responsibility, procedure for calculating compensation and remuneration to employees of structural divisions of UZCE, authorized to exercise internal control are provided for by the internal documents of UZCE. These documents, as well as other

documents directly or indirectly affecting internal control issues, cannot contradict these Regulations.

16. In order to ensure the systematic nature of control over financial and economic activities UZCE, internal control procedures are carried out by the internal audit service, in collaboration with management bodies and structural divisions of UZCE.

17. The functions of the Supervisory Board of UZCE include:

determining the direction of development and approval of certain operations and strategies of the internal control system;

annual report at the annual general meeting of shareholders on the results of the analysis and assessment of the reliability and effectiveness of the internal control system, based on data from regular reports of the head of the Executive body of UZCE, internal and external audits, the audit commission, information from other sources and own observations on all aspects internal control (including financial control, operational control, control over compliance with legislation);

continuous improvement of internal control procedures.

18. The head of the Executive Body of the UZCE implements procedures for the internal control system and ensures its effective functioning, promptly informing the Supervisory Board of the UZCE about all risks, significant deficiencies in the internal control system, as well as plans and results of measures to eliminate them.

19. Managers and employees of UZCE at any level, within their competence, are directly involved in the detailed development of strategies and procedures for control. Their responsibilities include dealing with unusual situations and problems as they arise. Employees report to the management of UZCE about significant issues or risks that have arisen in a specific transaction.

20. Responsibility for exercising control over the financial and economic activities of the UZCE rests with the permanent internal control body - the audit commission, the role, goals, tasks, powers of which are reflected in the Regulations on the Audit Commission of the UZCE.

21. Members of the audit commission of UZCE must meet the following requirements:

have a higher economic education received in higher educational institutions of the Republic of Uzbekistan or in educational institutions of a foreign state and, in accordance with the legislation of the Republic of Uzbekistan, recognized as equivalent to education in the Republic of Uzbekistan;

have practical experience in the banking system or in the field of accounting, auditing, financial and tax control for at least five years.

22. Responsibility for exercising control over the completeness and reliability of accounting and financial reporting rests with the internal audit service, the role, goals, tasks, whose powers are reflected in the Regulations on the internal audit service of the UZCE.

The Internal Audit Service reports to the Supervisory Board of UZCE.

23. Employees of the internal audit service must have practical experience (including part-time work) in the field of accounting, auditing, financial or tax control for at least two years out of the last ten, and meet one of the following requirements:

have an internal auditor certificate;

have a higher economic education received in higher educational institutions of the Republic of Uzbekistan or in educational institutions of a foreign state and, in accordance with the legislation of the Republic of Uzbekistan, recognized as equivalent to education in the Republic of Uzbekistan.

24. The following persons are not entitled to hold positions in the internal audit service of UZCE:

persons who have outstanding convictions for crimes in the economic sphere or for crimes against order;

persons who are founders (shareholders, participants), managers or members of the executive body, or employees of another legal entity.

Other requirements for persons included in the internal audit service may be established by the Supervisory Board UZCE.

25. For purposes for the proper functioning of the internal control system, UZCE makes efforts to ensure that the system of selection, hiring, education, training and promotion of employees ensures that they are highly qualified and adhere to high ethical standards.

VI. INTERNAL CONTROL PROCEDURES AND METHODS

26. Internal control procedures of UZCE include:

determination of interrelated and consistent goals and objectives at various levels of management of UZCE;

identification and analysis of potential and existing operational, financial, strategic and other risks that may interfere with the achievement of the goals of the UZCE;

assessments of significant components of internal control;

assessment of the effectiveness of the internal control system of business processes;

reviewing financial and other information in comparison with comparable information for prior periods or with expected operating results;

distribution and delegation of key powers and responsibilities, ensuring effective interaction between structural units and employees of UZCE;

use of adequate methods of recording events, operations and transactions;

checking the safety of assets;

proper documentation of internal control procedures;

regular assessments of the quality of the internal control system;

informing all UZCE employees of their responsibilities in the field of internal control;

distribution of key responsibilities among UZCE employees (including responsibilities for approving and approving transactions, recording transactions, issuing, storing and receiving resources, analyzing and verifying transactions);

approval and execution of transactions only by those persons who are authorized to do so;

control over the main directions of financial and economic activities of UZCE, analysis of the results of these activities;

control over compliance with financial discipline and implementation of decisions of management bodies and officials of the UZCE;

other procedures necessary to achieve the goals of internal control.

27. When carrying out internal control procedures, methods of inspection, observation, confirmation, recalculation, as well as other methods necessary for the implementation of internal control procedures are used.

VII. FINAL PROVISIONS

28. These Regulations, as well as amendments and additions to it, are approved by a decision of the general meeting of shareholders.

29. Changes and additions to these Regulations are made at the proposal of members of the Supervisory Board of the UZCE, the external auditor, the audit commission, the internal audit service, and the head of the Executive Body of the UZCE.

30. If certain provisions of these Regulations come into force in contradiction with the current legislation of the Republic of Uzbekistan and (or) the Charter of the UZCE, these articles lose force and in terms of issues regulated by these articles, one should be guided by the norms of the current legislation of the Republic of Uzbekistan and (or) the Charter of the UZCE until appropriate changes are made to these Regulations.