



BANKING & FINANCE

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

Issue 4, June 2011 (quarterly)

Industry Update

Deputy Chairman of National Bank: We are thinking of creating “black list of banks”

The NBKR Deputy Chairman Abdybaly tegin Suerkul at the seminar on "The banking system of the Kyrgyz Republic and exercising oversight," reported the need to develop a legislative base for the "black list" of banks, whose money may not be involved to carry out operations, as well as the definition of the public authority, which will be dealing with these issues.

In his opinion, it is necessary to tighten the requirements for companies registered in offshore zones. Abdybaly tegin Suerkul also reported that the National Bank is currently developing the banking code.

The volume of commercial bank loans for the week increased by 157.3 million soms, amounting to 27.8 billion soms

According to the National Bank's information, the volume of loans to commercial banks for the period from 20 to 27 May 2011 rose to 157.3 million soms, amounting to 27.8 billion soms.

In particular, the volume of loans in the national currency increased by 140 million soms, amounting to 13.4 billion soms as of the 27th of May. The volume of the foreign currency loans increased by 17.3 million soms, amounting to 14.5 billion soms.

Since early 2011 the State Service of Financial Intelligence (“SSFI”) fined 16 commercial banks and 4 micro-credit organizations

Since the beginning of 2011, for the improper organization of the internal control rules and the violation of the rules of providing information SSFI

Legal Update

Resolution of the Government of the Kyrgyz Republic "On selection criteria of commercial banks to manage financial flows of state budget of Kyrgyz Republic, Social Fund of Kyrgyz Republic and state-owned enterprises" dated March 1, 2011 N 81 ("Resolution")

The Resolution approved the following criteria for selecting commercial banks to manage the financial flows of the state budget of the Kyrgyz Republic (“KR”), the Social Fund of the KR and the state-owned enterprises:

- holding a commercial bank license of the National Bank of KR to conduct banking operations;
- complying with all economic standards and requirements set by the National Bank of KR;
- incurring no sanctions or penalties imposed by the laws of the KR "On National Bank of Kyrgyz Republic", "On Banks and Banking Activity in Kyrgyz Republic" and "On combating financing of terrorism and legalization (laundering) of criminally gained income", in the year preceding the tender;
- having branch network, fortified savings and outreach desks to provide banking services in all regions of the KR;
- making break-even banking business over the past two years;
- having external auditor's opinion without reservations, confirming the compliance with established standards of accounting and financial reporting for the past two

fined 16 commercial banks and 4 micro-credit organizations.

The press service of the SSFI noted that since the beginning of 2011 SSFI regular inspection of the internal control rules, developed by commercial banks and microcredit organizations, as well as their compliance with the provisions of the Law "On combating financing of terrorism and legalization (laundering) of criminally gained income" in respect of providing information.

As noted by SSFI itself, in its practice there were no such audits and respective penalties.

Central Asian summit on microfinance to be held in Bishkek under Roza Otunbayeva's patronage

Central Asian summit on microfinance will held in July 2011 in Bishkek under the patronage of President of Kyrgyzstan Roza Otunbayeva.

The summit is organized to show the experience of microfinance in the region to attract the attention of internal and external donors to implement and increase the volume of microfinance in the Kyrgyz Republic, as well as make microfinance an effective tool for reducing poverty and enhancing economic growth in the country.

The event will bring together experts of the civil sector and microfinance institutions in Kyrgyzstan, Tajikistan, Kazakhstan, Azerbaijan, Russia, USA and Europe. In addition, there expected presentations by the speakers from the Netherlands, Germany, UK and France.

The participants of the summit will discuss the problems associated with the development of microfinance products that satisfy the market, increasing financial literacy, sustainable development of the sector, innovation in lending.

The summit is organized by the President of KR, the National Bank of KRc and the Czech company Uniglobal.

Central Asian summit on microfinance to be held in Bishkek under Otunbayeva's patronage

Central Asian summit on microfinance will held in July 2011 in Bishkek under the patronage of President of Kyrgyzstan Roza Otunbayeva.

The summit is organized to show the experience of microfinance in the region to attract the attention of internal and external donors to implement and increase the volume of microfinance in the Kyrgyz Republic, as well as make microfinance an effective tool for reducing poverty and enhancing economic growth in the country.

years (current and previous);

- having no debt on tax and other mandatory payments to the state budget, as well as on insurance premiums for state social insurance;
 - having no overdue and outstanding debts to the National Bank of KR and its subsidiaries, as well as to other creditors and counterparties;
 - having an expanded infrastructure (peripheral devices) of the bank to maintain payment cards and a wide range of services offered to the population (e.g., acceptance of payments from the population as possible within 24 hours a day) for all types of public utilities, communication services, etc.;
 - setting reasonable tariffs for bank services (opening and maintaining accounts, issuing and serving plastic cards, internal and interbank payments, etc.).
-

The event will bring together experts of the civil sector and microfinance institutions in Kyrgyzstan, Tajikistan, Kazakhstan, Azerbaijan, Russia, USA and Europe. In addition, there expected presentations by the speakers from the Netherlands, Germany, UK and France.

The participants of the summit will discuss the problems associated with the development of microfinance products that satisfy the market, increasing financial literacy, sustainable development of the sector, innovation in lending.

The summit is organized by the President of KR, the National Bank of KRc and the Czech company Uniglobal.

KfW Development Bank to provide € 8 million for housing construction in Kyrgyzstan

Minister of Finance of KR Melis Mambetjanov and representative of the German development bank KfW, Stefan Lutz on May 17, 2011 signed an agreement on providing credit and financial support. This was reported at the representative office of KfW in Central Asia.

The Agreement for the amount of eight million euros, including a soft loan of 7.5 million euros and a grant of 0.5 million euros, was signed in the framework of the new program of housing construction financing. This program aims to expand the range of affordable and long-term loans for the purchase and upgrading of housing for families with middle and low income.

As part of the program, the long-term refinancing facility in Kyrgyz soms will be given to three partner financial institutions in the Kyrgyz Republic.

These development projects implemented by the Ministry of Finance will be also financed by the German Ministry of Economic Cooperation and Development through German Development Bank KfW. Over 20 years since gaining independence, the German Government has provided about 200 million euros through KfW to the Kyrgyz Republic.

On behalf of the German Government, KfW finances measures to improve infrastructure and financial systems to ensure their economic development with social and environmental conditions.

The management of the National Banks of Hungary and Kyrgyzstan discussed the reasons of the price rise and tools of monetary policy

The management of the National Bank of the Kyrgyz Republic met with the deputy chairman of the National Bank of Hungary U. Kiraly on May 23 in Bishkek.

During the meeting they discussed the issues related to inflation targeting, the causes of price rise, the instruments of monetary policy and exchange rates.

U. Kiraly visited Kyrgyzstan in the framework of a regional project of the International Monetary Fund on public debt management and development of the government securities market.

The volume of deposits in commercial banks operating in Kyrgyzstan fell by 1.1 billion soms last week

The National Bank of the Kyrgyz Republic informs that the volume of deposits in commercial banks operating in Kyrgyzstan last week declined to 1.14 billion soms.

According to it, by the end of the last week's total deposits in commercial banks of the republic fell to 34 billion 794.4 million soms. The fall was due to the decline in the foreign currency deposits by 1 billion 683 million soms - to 18 billion 462.9 million soms.

Deposits in the national currency, in contrast, demonstrated growth last week. The amount of deposits increased by 538.9 million. Nevertheless, so far the level of deposits in som cannot "catch up" the amount of savings in the foreign currency. The accounts of individuals and organizations in commercial banks of Kyrgyzstan by the end of the last week had 16 billion 331.5 million soms.



71 Erkindik Boulevard,
Bishkek, 720040
Kyrgyz Republic

Tel.: +996 (312) 666060
Fax: +996 (312) 662788
Web: www.k-a.kg
Email: lawyer@k-a.kg

The sources of news contained in the Update are websites:
www.akipress.kg, www.24.kg, www.parus.kg, www.kyrgyz-el.kg

If you would like to ensure that you continue to receive this newsletter [subscribe here](#), and make sure to add our email to your address book.

If you do not wish to receive this newsletter [unsubscribe here](#).

If you have any comments, please contact Pamira Sainazarova at psainazarova@k-a.kg

Update materials for general information purposes only and should not be considered as legal advice. Transmission of information on or by use of this Update is not intended to create, and receipt does not constitute, a lawyer-client relationship between the sender and receiver.

Copyright © 2011 Kalikova & Associates