



BANKING & FINANCE

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

Issue 1, May 2010

Industry Updates

Volume of deposits in commercial banks of Kyrgyzstan reduces

According to the National Bank of the Kyrgyz Republic ("NBKR"), reduction of the volume of deposits in commercial banks of the country made up 582.3 million soms as of the beginning of May of the current year.

The reduction affected deposits in national currency. Their volume reduced by 671.2 million soms and made up 14 billion 174.1 million soms as of 7 May 2010. The volume of deposits in foreign currency, instead, increased by 88.9 million soms and made up 15.52 billion soms.

At the same time, the volume of credits in the operating commercial banks also reduced. It made up 25 billion 461.6 million soms, having reduced by 135.9 million soms. Most of all credit portfolio grew thin in foreign currency.

Last week the National Bank of the Kyrgyz Republic sold \$19.3 million on the domestic market

The National Bank of the Kyrgyz Republic ("NBKR") sold \$19.3 million on the domestic market in the beginning of May of the current year. Reportedly, the volume of the most recent intervention on May 7 made up \$2.9 million.

The inflow of such a big amount of the US currency has slightly slowed down the pace of its growth in the Kyrgyz market. But, nevertheless, a US dollar keeps getting stronger on the interbank market of Kyrgyzstan.

The National Bank of Kyrgyzstan's commemorative coins to take part in the international competition "Monetary constellation - 2010".

Collection coins, issued in 2009 by the National Bank of the Kyrgyz Republic, including the coins, devoted

Legal Updates

The Interim Government Decree "On initiating external administration of legal entities" of April 21, 2010 N 18 (the «Decree»)

The purpose of the Decree is to ensure protection of rights in all forms of property and to prevent raider attacks in conditions of political instability in the country. Therefore, the Interim Government of the Kyrgyz Republic (the "IG KR") deemed it necessary to initiate external administration of legal entities. But the Decree fails to specify which criteria the IG KR will use to determine whether to initiate external administration of a legal entity. The Decree sets forth only the procedure and conditions for initiating external administration of legal entities.

The Decree defines the external administrator as the IG KR representative responsible for conducting external administration of the respective legal entity.

The Decree states that the powers and competencies of managers and members (founders, shareholders) of a legal entity are not terminated upon the appointment of the external administrator, and that the administrator may not interfere in the operation of the legal entity. But certain matters must be mandatorily approved by the external administrator – this is required by the purposes of this Decree. Thus, according to the Decree, such matters are:

- making changes and additions to the constituent documents of the legal entity;
- changing the amount of the charter capital of the legal entity;
- appointment and dismissal of executive and supervisory bodies of the legal entity;
- approval of annual accounts and reports of the legal entity and distribution of its profits and losses;
- deciding on state re-registration, reorganization, or deregistration of the legal entity;
- approval of transactions made by the executive body of the legal entity to alienate the property included in the charter capital;
- entering into civil law transactions including foreign trade transactions;
- opening and closing bank accounts;
- making payments and disbursing money or its equivalents.

to literary works of Chingiz Aytmatov, the coin "Bekrut", devoted to the series "Animal world of the Eurasian Economic Community countries" and the coin "Mother-deer", devoted to the series "Legends and fairy-tales of the Eurasian Economic Community countries", for the first time participate in the international competition "Monetary constellation – 2010". Competition results will be summarized on June 10, 2010 in Saint-Petersburg. The conference is arranged in the territory of the Russian Federation twice a year.

Current situation in the banking sector

According to the National Bank of the Kyrgyz Republic, at present, all 22 commercial banks of the Kyrgyz Republic are functioning normally; provisional management was introduced in six commercial banks of the Kyrgyz Republic, including AUB, Manas Bank, KyrgyzCredit, Issyk-Kul, Akylinvestbank and Bakai. Reportedly, the NBKR Board made decision to cancel regime of provisional management in the Bank-Bakai OJSC from April 28, 2010. Since that moment, the OJSC Bank-Bakai is permitted to perform banking transactions with physical and legal entities except for transactions with insiders, affiliated entities as well as with the entities, which are under investigation of law enforcement agencies and organs of the prosecutor's office.

Provisional management in the above banks was introduced for the purpose of control over the capital movement and provision of bank's assets maintenance to the benefit of depositors and other creditors of the bank. According to the bank's information, first of all the measures to maintain assets were adopted; for this purpose banking transactions were limited, including all transactions with insiders and affiliated entities as well as associated persons.

As for the OJSC AsiaUniversalBank, some transactions with non-resident legal entities of the Kyrgyz Republic as well as transactions with resident legal entities were still terminated and limited to the amount of one million soms. Also, Manas Bank CJSC does not perform transactions with non-resident legal and physical entities of the Kyrgyz Republic.

NBKR performs supervision over all commercial banks of the republic. Banks, where the special administration regime was introduced, perform payments and settlements under control of the Provisional Management. Provisional Management of the above-mentioned banks provides daily reports to the National Bank of the Kyrgyz Republic.

Statement of the National Bank of the Kyrgyz Republic

On April 27, 2010, the meeting was held among Sariev T.A., Deputy Chairman of the Provisional Government of the Kyrgyz Republic, Management of

Upon completion of external administration, the external administrator must submit to the IG KR the report on results of his activities and the IG KR must approve this report.

The Interim Government Decree "On protection of investments" of April 26, 2010 №23 (the «Decree»)

The purpose of this Decree is to ensure protection of business and investments, improve the investment climate in the country, and retain the attracted foreign investments. In this regard, the Interim Government of the Kyrgyz Republic (the «IG KR») guarantees that the KR will meet its earlier obligations under the international treaties and agreements duly put into effect. Foreign and local investments are guaranteed fair and equal treatment, including guaranteed protection of investments made into Kyrgyz economy.

The Decree sets forth that officials and other persons making obstacles to investment attraction and facilitating misappropriation of any forms of property (raider attacks) shall be subject to criminal or civil liability.

the National Bank of the Kyrgyz Republic and representatives of microfinance companies and credit unions. Main aim of the meeting was to discuss major problems occurring in the microfinance sector of the republic. Generally, there were questions, related to legislative regulation of certain acute problems. In particular, there were discussed the problems of entry into effect of the amendments to the Law "On Microfinance Organizations" and the Law "On Foreign Exchange Operations" allowing foreign currency credits to MFOs and expanding the list of financial services with an aim to protect borrowers against concealed interest and introduce good faith crediting principles. Also, the issues were discussed on the need to make changes to the NBKR regulations governing MFOs and credit unions. Also, the issues were discussed regarding support to the victims of the latest events. The meeting resulted in an agreement to set up several working groups to come up with final proposals to solve the above problems.

**KALIKOVA
ASSOCIATES &**

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: www.24.kg,
www.nbkr.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 Aleksander Ahn at ahn@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 © 2010 Kalikova & Associates