



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

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Industry Update

January 19, 2018

Investor in Smart City project to buy Megacom

Aka Minerals & Mining LLC, one of the investors in the Smart City project, intends to buy Alfa Telecom CJSC, says the Head of the State Property Management Fund (SPMF) Renat Tuleberdiev. March 2, 2018 is the expiration date of the last reappraisal of the company. If the company goes on sale, new reappraisal will be conducted.

Aka Minerals & Mining LLC, as one of the investors in the Smart City project, is supposed to invest US \$ 9 million and to get 15% of the profit-sharing distributions.

www.kabar.kg

January 15, 2018

Head of SPMF visits country's southern provinces to inspect state-owned enterprises

Head of the SPMF, R. Tuleberdiev, made his first working visit to the country's southern provinces to inspect state-owned enterprises, namely, Kyzyl-Kiya Tobacco Fermentation Factory OJSC, Kyrgyz Telecom branch, Osh Bus Terminal SOE, Kyrgyzneftegaz OJSC, Jalal-Abad Bus Terminal SOE, Dustlik OJSC, Oshdyubek OJSC and Osh Airport.

During the visit, the high official met with the management and staff of the aforesaid enterprises to discuss the current problems and to give instructions concerning steps to improve their profitability.

Legal Update

January 24, 2018

Draft amendments to Securities Market Act pending before the Parliament

The Bill proposing amendments to the Securities Market Act passed its second reading in the Parliament.

The Bill aims to improve the legal framework governing securities market, including securities issuers, securities market professionals and investors.

In particular, the Bill proposes:

- To adopt a new term "bondholders' meeting" whose primary functions are representation of bondholders and consultation on significant changes in the terms and conditions and prospectus of the bond issue, time and procedure of convening the bondholders' meeting, the transaction of business at the bondholders' meeting;
- To amend the Act by adding Articles 35-1 and 35-2, imposing requirements for bond issuers and bond circulation to protect the rights of investors in securities market of the KR;
- To empower the Government of the KR to determine criteria for mass media to be used for publication of information on securities market stakeholders subject to mandatory disclosure;
- To amend Article 161 of the Act by adding the requirement for bond issuers to produce necessary documents confirming compliance with the requirements for issuance of guaranteed secured bonds;
- To ensure integration between the national securities market and international capital markets by amending Article 18 of the Act to allow depositories to keep records of rights of foreign security holders.

www.kenesh.kg

December 20, 2017

Conference on promotion of corporate governance in financial and banking sector of Kyrgyzstan

IFC Central Asia Corporate Governance Project implemented with the financial support from the Swiss and United Kingdom governments in cooperation with the Union of Banks of Kyrgyzstan, Association of Microfinance Institutions and Audit Plus Company, hosted the conference on the new trends and prospects of corporate governance in the financial and banking sector of the Kyrgyz Republic. Among the issues discussed at the conference were: improving efficiency of the boards of directors through better performance of their committees, electing independent directors, appointing a corporate secretary, adopting compliance control functions and fiduciary liability of senior management in banks.

Other issues raised included international trends and experience in the field of corporate governance, challenges faced by Kyrgyz financial and banking institutions in terms of compliance with regulatory/best practice guidelines, and possible ways to address them.

December 12, 2017

PMC to issue mortgage-backed securities

Public Mortgage Company OJSC (PMC) plans to issue mortgage-backed securities (MBS).

MBS is one of the most effective tools for the promotion of the house-building industry in Kyrgyzstan. It offers the advantage of a real security, which makes MBS less risky and more attractive to investors.

How MBS work? A bank issues mortgage loans for a certain amount to borrowers who issue debt instruments to the bank. Then, the bank transfers the pool of mortgage loans to PMC which issues MBS. Proceeds from sale of MBS will be used by PMC to refinance new mortgage loans.

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December 7, 2017

Zilaliyev says there are no talks to sell Manas Airport, there are plans to improve management efficiency

There are no talks to sell Manas International Airport, there are plans to improve management efficiency, says Head of the SPMF Duishenbek Zilaliyev.

Zilaliyev reports that at the moment, the airport owns 47 property assets of which 26 remain state-owned, specifically: 11 buildings, 2 land plots, 5 transport vehicles, and 1 property complex. There are no talks to sell them, there are only plans to

Central Securities Depository Bill

The KR Financial Supervision Authority (FSA) announced public discussion of the draft Government resolution proposing the Central Securities Depository Bill and of the Bill itself.

The Bill proposes a legal framework for Central Securities Depository's operations, rights, duties, liability, powers and functions, as well as the main principles of state control and supervision over its operations.

The Bill aims to promote the establishment and operation of a central securities depository in the non-banking financial market of the KR, to secure the rights of the holders to safe storage of their securities and proper settlements in the stock market, and to promote compliance with Government Resolution No.513 of September 12, 2008 approving the establishment of the Central Securities Depository in the KR and Resolution No.399 dated July 18, 2011 approving the acquisition of additionally issued shares in the capital of Kyrgyz Stock Exchange CJSC and Central Depository CJSC.

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November 17, 2017

Bill proposing amendments to some financial market regulations

FSA announced public discussion of the draft Bill amending some financial market regulations. The Bill aims to improve compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act) and Government Resolution No.135 of March 5, 2010 approving steps to improve compliance with the AML/CTF Act.

Whereas the KR legislation does not authorize FSA to carry out regulation and supervision over the existing leasing companies and auction organizers, nor does it regulate the existing trust companies, the Bill proposes:

- To amend the FSA Act by expanding the term "non-banking financial market" to include pawnshops, leasing companies, and auction organizers;
- To amend the AML/CTF Act by excluding the trust companies from the list of the companies subject to disclosure requirements (under the AML/CTF Act).

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October 17, 2017

Draft Regulation on reporting and disclosure requirements for financial market stakeholders

FSA announced public discussion of the draft Government

improve their management.

The official also mentioned state-owned enterprises that are making profit, specifically: Kyrgyz Railway SOE, Infocom SOE of the State Registration Service, Kyrgyz Post Office SOE, Aurora Issyk-Kul Sanatorium, Eastern Bus Terminal SOE and others.

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December 5, 2017

Parliament to decide on outsourcing Kyrgyz airports management to foreign investors

Parliament is to decide on possible outsourcing of Kyrgyz airports management to foreign investors.

Reportedly, negotiations are underway between the Government of Kyrgyzstan and a Turkish company, TAV Airports Holding, and other major investors. However, negotiations are in the initial stage.

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November 30, 2017

Kyrgyzstan issues first 10-year government bonds

Kyrgyzstan issued 10-year government treasury bonds (T-bonds) for the first time, says the Ministry of Finance.

The first auction to sell T-bonds was held in mid-November 2017. T-bonds for a total face value of 300 million were placed with the weighted average yield of 18.49% per annum. As auction results show, the demand for a new type of bonds amounted to KGS 586.52 million.

T-bonds face value was KGS 100 per coupon, with an interest rate of 12 percent per annum payable at six month intervals, and the principal due at maturity.

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September 11, 2017

Proceeds from Government securities exceed KGS 10 billion over 8 months, says Ministry of Finance

The proceeds from Government securities exceeded KGS 10 billion over the first 8 months of 2017, says the Ministry of Finance of the Kyrgyz Republic.

Reportedly, over the period from January to August 2017, the proceeds from T-bills and T-bonds amounted to KGS 10.338 billion

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Resolution approving the Regulation on reporting and disclosure requirements for financial market stakeholders.

The draft Regulation sets forth reporting and disclosure requirements for financial market stakeholders and allows submission of reports in electronic format bearing electronic and digital signatures.

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October 12, 2017

Bill proposing amendments to company registration regulations

The Ministry of Justice announced public discussion of the Bill proposing amendments to certain legal acts of the Kyrgyz Republic (namely, the Civil Code of the KR, the State Registration of Legal Entities, Branches (Representative Offices) Act and the National Archival Fund Act.

The Bill aims to eliminate contradictions, clarify the provisions of legal acts, and simplify procedures related to state registration (re-registration) and deregistration of legal entities, branches (representative offices).

In particular, the Bill proposes the following amendments:

- To amend Article 98 of the Civil Code and Articles 10 and 13 of the State Registration of Legal Entities, Branches (Representative Offices) Act (Registration Act) to allow any company under liquidation having no creditors to submit to the registering authority an affidavit of no creditors signed by its CEO and certified by a notary. In case of deregistration, two-month creditor claim period does not apply (if there are creditors, the creditor claim period applies);
- To amend Articles 13 and 20 of the Registration Act and the National Archival Fund Act to exclude the archival fund's reference from the list of mandatory documents for deregistration of company;
- To amend Article 6 of the Registration Act by the provision allowing to register a company under the State and Municipal Services Act, as well as the E-government Act. This amendment allows companies to register online.

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October 6, 2017

Bill on national holding companies

The Ministry of Economy announced public discussion of the draft Government Resolution proposing the bills on National Holding Companies in the Kyrgyz Republic and on Amendments to the Joint Stock Companies Act.

The Bill on National Holding Companies in the Kyrgyz Republic provides the legal framework for the establishment and operation of national holding companies in the Kyrgyz Republic, the interaction between the national holding companies and government agencies of the KR, as well as the legal status of legal entities forming the national holding

group of companies.

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If you have any comments, please contact Magomed Saaduev at msaaduev@k-a.kg

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