



# CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

Information for effective business solutions

Issue 5, December 2011 (quarterly)

## Industry Update

24 October 2011

### Chakan HPP: sell or keep

The Ministry of State Property of the Kyrgyz Republic offered 100% stake in Chakan HPP OJSC for sale at the public auction. However, the auction was not held due to absence of bidders for the said stake. At present, the Committee on economic strategy, investment policy and tourism is drafting a resolution of the Jogorku Kenesh of the Kyrgyz Republic to exclude Chakan HPP OJSC from the list of entities subject to privatization. The deputies of the Ata Meken party faction believe that profits from operating Chakan HPP will outweigh the proceeds from its sale in the nearest few years and will ensure income from annual dividends.

25 November 2011

### Auction for sale of 49% stake in Alfa Telecom

The Ministry of State Property of the Kyrgyz Republic announced the public auction for sale of 49% stake held by the state in Alfa Telecom CJSC.

The announced starting price was set at 4,900,000,000 (four billion nine hundred million) Kyrgyz som.

There was only one bidder, a Swedish company Telia Sonera I Capital AB. However, the auction was announced as ineffective since Kyrgyz law requires at least two bids from different persons to be submitted in order to hold the auction.

## Legal Update

### New view on keeping shareholder registries

In the course of inventORIZATION of Kyrgyz normative legal acts regulating securities market and activities of issuers, the Kyrgyz Government approved the Regulation on keeping registries of holders of securities in the Kyrgyz Republic of September 7, 2011. The Regulation provides a legal framework for establishment, operation and status of entities dealing with the keeping of registries of securities in the securities market, registration of rights related to securities, and sets forth the procedure for keeping the registries of holders of securities. This regulation was developed on the basis of the provisions of the new Law of the Kyrgyz Republic "On Securities Market".

### Foreign securities in the Kyrgyz capital market

The Kyrgyz Government approved the Regulation on admission of securities issued by foreign companies to the public offering in the territory of the Kyrgyz Republic. The Regulation sets forth the procedure for admission of securities issued by foreign companies to the public offering in the Kyrgyz securities market, in case of their initial public offering or secondary market offering.

### Changes in the Law of the Kyrgyz Republic "On Joint Stock Companies"

The changes concern the reappointment of members of the executive board or audit committee. Thus, in joint stock companies, in which the state holds more than 50% stake, the members of the audit committee may not be reappointed more than three times, and the members of the executive board may not be reappointed in the case of aggravation of

financial indicators of the company during the period of their service and/or appearance of negative tendency in profitability indicators. This will allow the companies to engage only highly qualified specialists to run the company.

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## Public securities in the stock market

The State Service for Supervision and Regulation of Financial Market of the Kyrgyz Republic jointly with the market participants prepared the draft resolution of the Government of the Kyrgyz Republic “On approval of regulation on procedure for placement and circulation of public securities of the Kyrgyz Republic”. At present, the main purpose of the public securities is to cover the current expenses of the state budget of the republic. The placement and circulation of the public securities solely via the stock exchange will help increase the number of investors and transparency of operations in this capital market segment. The development of competition among the market participants will help decrease the profitability rate of the public securities and thus reduce state debt service costs. Besides, the liquidity of the public securities will increase as well.

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