



# CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

*Information for effective business solutions*

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## Industry Updates

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### **Inventorization of normative legal acts**

In connection with the enactment of the laws of the Kyrgyz Republic "On normative legal acts" and "On securities market", the Public Authority for Regulation and Supervision of Financial Market under the Government of the Kyrgyz Republic carries out inventorization of normative legal acts and introduces them to the Government for approval. In the framework of inventorization, it is proposed to introduce changes in more than 50 normative legal acts regulating corporate issues, securities market, insurance, investment funds. At present, two drafts of amendments were introduced for public discussion: the Regulation on assets of investment funds and Regulation on managing companies of joint stock investment funds.

### **International Finance Corporation and Kalikova & Associates Law Firm will join their efforts to hold seminar on "Risk Governance Series: The Board's Response to Crisis" on February 5, 2010**

The speakers at this seminar will be international experts in corporate governance, authors of many publications and scientific works, Professor Ulrich Steger and Doctor Christoph Nedopil. This seminar is organized for members of the boards of directors and management boards of banks, insurance companies, and pension funds. During the period of economic instability it is crucially important that company owners and executives are able to make prompt, professional and timely decisions having positive effect on the company's operation and future destiny. Participants of the seminar will discuss acute problems of crisis situation, efficient organization of work of companies during the current economic recession and prevention of crisis in companies in the

## Legal Updates

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### **Increased liability for infliction of property damage**

On August 8, 2009, amendments to the Law of the Kyrgyz Republic on Joint-Stock Companies (the "JSC Law") and on Business Partnerships and Companies (the "BPC Law"), were introduced to protect property rights of shareholders and participants. New amendments to the JSC Law allow a shareholder to apply to the court for the protection of his rights only if he incurs property damage. New amendments to the BPC Law allow the participants to expel the one whose actions (inaction) caused material damage to the company or other participants. In such case, expulsion can be effected only by the court decision.

### **First step to simplification of document legalization procedure**

On November 6, 2009 the Law on Accession to the Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents dated October 5, 1961 was enacted. The new law simplifies procedures necessary for certification of foreign public documents in the Kyrgyz Republic, which helps save time and money in the process of their legalization.

Pursuant to the Hague Convention, all documents issued in one of its member countries and verified by apostille, must be accepted by the other member country without additional legalization. Apostille is the document of established form including the documents issued by public authorities or officers of a foreign state, administrative documents, notarial acts, official certification of documents signed by private persons (confirmation of registration of the document or certain date, signature verification). However, in the Kyrgyz Republic, apostille will be applied only after completion of internal state procedures and entry into force of the Hague Convention in the Kyrgyz Republic.

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### **Cooperation between the Kyrgyz Republic and the People's Republic of China in stock market development**

In the framework of the official visit to the People's Republic of China, Kyrgyz delegation visited the Shanghai Stock Exchange. At the meeting, the parties discussed cooperation between the Shanghai Stock Exchange and the Central Asian Stock Exchange (CASE).

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### **Forthcoming changes in the securities market**

Kyrgyz Government and Asian Development Bank have drafted the new Law of the Kyrgyz Republic "On Securities Market", which will take effect on February 11, 2010. The law was drafted in accordance with the IOSCO principles of securities regulation. The main purpose of the new law is to create favorable investment climate and economic safety for investors in financial services sector.

The main novelties of the new law are as follows:

- Expanded powers of the public authority for securities market regulation;
  - Requirements for professional securities market participants with respect to their qualification, experience in using financial instruments;
  - Requirement of public disclosure by securities market participants and issuers;
  - Procedure for multiskilling;
  - New procedure for securities registration;
  - Definition of public company and requirements for such companies.
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### **One stop shop principle of registration of legal entities, branches (representative offices)**

On April 1, 2009, the new Law "On State Registration of Legal Entities, Branches (Representative Offices)" was enacted. Under the law, the registration process is carried out by the registering authority on the basis of one stop shop principle, which supposes registration of legal entities (branches, representative offices) simultaneously with their registration with tax, statistics and Social Fund authorities. One stop shop principle materially simplifies the registration process by reducing the number of documents submitted for registration, re-registration, and deregistration of legal entities (branch, representative office). Other novelties of the law include notification-based registration of commercial organizations, non-examination of their documents by the registering authority, and limitation of length of registration of commercial organization to up to 3 days.

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### **Inventorization: amendments to the legislation on stock changes**

On March 11, 2010, the law of the Kyrgyz Republic "On amending the law on investment funds" became effective. In accordance with the new law on normative legal acts of the Kyrgyz Republic the right to adopt (enact) normative legal acts is vested in the following law-making public authorities (officials): the President, Jogorku Kenesh; Government, National Bank, Central Election Commission for Elections and Referenda; and representative bodies of local self-government. But the law on investment funds used to provide that the legislative initiative rested with the public authority for securities market which

contradicted the above law. In order to ensure consistency, the law amending the law on investment funds was adopted.

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