



# BANKING & FINANCE

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES

*Information for effective business solutions*

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## Industry Update

### About appointments

By President Edict № 54 of July 22nd, 2010, Ms. Jeenbaeva Baktygul Janybekovna was appointed as Acting Chairman of the National Bank of the Kyrgyz Republic.

Chokoev Zair Lenarovitch was relieved from the post of Acting Chairman of the National Bank of the Kyrgyz Republic, and holding currently the post of Deputy Chairman of the National Bank of the Kyrgyz Republic.

### National Bank of Kyrgyzstan revoked licenses from Asia Universal Bank OJSC

On August 6, 2010, the National Bank of Kyrgyzstan revoked the license from Asia Universal Bank OJSC, specifically the license to conduct banking operations in the national currency, the license to conduct banking operations in the foreign currency, the license to conduct operations with precious metals.

### New bank to be established to fulfill obligations of Asia Universal Bank OJSC

The National Bank of the Kyrgyz Republic reports that Government Resolution of August 3, 2010 "On Asia Universal Bank Open Joint Stock Company (AUB OJSC) repealed by Interim Government Resolution dated June 20, 2010 "On approval of the rehabilitation plan of AUB OJSC" and the National Bank of Kyrgyz Republic was recommended to initiate the procedure for special administration of AUB OJSC by restructuring.

This decision was taken due to the increased burden on the state budget to address priority social issues and the impossibility of

## Legal Update

### Regulation «On minimum requirements for internal control in foreign exchange bureaus in the Kyrgyz Republic to counter terrorism (extremism) financing and legalization (laundering) of criminally derived income » of June 30, 2010 N 52/5 (the «Regulation»)

The Regulation requires that during foreign cash operations, personnel of exchange bureaus must take measures to counter terrorism financing and laundering of criminally derived income, namely: to establish the client's identity, keep and maintain records of foreign cash operations, and provide this information to the State Financial Intelligence Service.

### Regulation on minimum requirements for management of credit risks in commercial banks and financial lending institutions licensed by the National Bank of the Kyrgyz Republic of June 30, 2010 N 52/4 (the «Regulation»)

The Regulation sets minimum requirements for Financial Company for supporting and development of credit unions in the Kyrgyz Republic and microfinance companies accepting time deposits (the "banks") to build an adequate system of credit risk management. The latter is defined in the Regulation as the risk of default by clients on their obligations in respect of the terms and conditions of the agreement.

The Regulation sets main provisions of its credit policy related to lending, loan processing, loan management. Also, the Regulation requires the bank's credit policy to reflect the separation of

rehabilitation of AUB OJSC in accordance with the AUB OJSC rehabilitation plan.

In the framework of special administration procedure, it is planned to establish the new bank to fulfill AUB's obligations in order to preserve the funds of the bank's depositors, to ensure normal operation of the national payment system and fulfillment of obligations within the salary projects.

The National Bank brings to attention of its depositors being natural persons that AUB's obligations thereto will be fulfilled in full by the new bank. The National Bank has sent a statement to the court about commencement of the process of AUB's restructuring.

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### **The meeting of the financial market players**

On July 20, 2010, the National Bank of the Kyrgyz Republic (the «National Bank») organized the meeting at which the top management of the National Bank, commercial banks and microfinance companies, the Union of Banks of Kyrgyzstan and Association of microfinance organizations and the borrowers of commercial banks discussed the restructuring of borrowers' loans (including decreased interest rates, debt repayment extension, changed repayment schedules, etc.), the refinancing of bad debts and the perfecting of security interests. On its part, the top management of commercial banks expressed its readiness to meet individually with each borrower to discuss mitigation of principal and interest repayment conditions depending on each particular case.

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### **New 100-dollar bill**

According to the US Treasury and Federal Reserve System, the new 100 dollar bill will go into circulation on February 10, 2011. However, the introduction of the new note will not require the replacement of the old bills by the new ones.

Primarily green with light blue background, the note is diluted by copper, light golden, and dark blue colors. Two details deserve attentions: blue 3D security ribbon and copper bell in an inkwell on the note's obverse. The note's design includes stylus and citation from the Declaration of Independence. The choice of these symbols is not occasional, as with the help of such writing tools as stylus and inkwell the founding fathers the United States wrote the US Declaration of Independence; besides, bell is a symbol of freedom in America and one of the notable features of Philadelphia, a native

powers to provide loans, to assess risks of new bank products, to reveal, analyze and settle situations related to bad loans and other provisions.

The Regulation also regulates the powers falling within the sole responsibility of the bank's credit committee which is the body pursuing the credit policy. Besides, there are requirements for the structure of the credit committee and procedure for delegating some of its powers.

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### **Regulation «On main requirements for activities of commercial banks when executing agency agreement for retail banking services » of May 26, 2010 N 36/7 (the «Regulation»)**

The Regulation regulates retail banking services and branchless banking. Branchless banking is a method of retail banking services outside traditional bank premises.

The Regulation defines the list of operations related to retail banking services and provided through retail agents to natural and legal persons.

Also, the Regulation regulates the procedure for entering into the agency agreement, the risk management and procedure for making payments and settlements under the agency agreement. It also sets requirements for banks working with retail agents and for retail agents. It also regulates requirements for banking agency network and automatic self-service devices to accept payments.

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city of B. Franklin.

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**Shareholders of  
Kyrgyzpromstroibank OJSC won  
the lawsuit seeking invalidation of  
sale of its shares**

The Bishkek City Court left unchanged the decision of the Interdistrict Court of Bishkek City rendered in the lawsuit brought by Kyrgyzpromstroibank shareholders and seeking to invalidate the sale of the shares in this bank. Thus, the court decision:

(i) restored the powers of the board of directors and the management board of Kyrgyzpromstroibank which were effective as of January 1, 2008;

(ii) applied the consequences of invalid transactions to the Share Purchase Agreements made with KyrgyzCreditBank and ordered to return the shares in Kyrgyzpromstroibank to the management board of this bank.

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**Bishkek Interdistrict Court for  
Economic Cases rendered a  
decision to transfer 70.94% of  
shares in KyrgyzCreditBank OJSC  
to the ownership of the government**

On August 16, 2010, Bishkek Interdistrict Court for Economic Cases rendered a decision to transfer a controlling shareholding in KyrgyzCreditBank OJSC to the ownership of the government.

The court decision must enter into legal force one month after the date of such decision. According to I. Kargabaev, representative of G. Fiacconi, former owner of the controlling shareholding in the bank, the latter is going to appeal the court decision. Besides, on September 10 of this year, the hearings will be held in the lawsuit brought by G. Fiacconi seeking the return of his shares.

At the court hearing of August 16, G. Fiacconi participated as a third party since the lawsuit affects his interests.

We remind that the court considered the lawsuit filed by the National Bank for invalidation of the transaction closed on August 24, 2007 and involving the sale of the controlling shareholding in Kyrgyzpromstroibank and the court insisted on the transfer of the shares to

the government.

Similar lawsuit for invalidation of sale of controlling shareholding and return of shares to the former owner was brought on July 29, 2010 by former owner of the controlling shareholding Giorgio Fiacconi. According to him, he was forced to sell the shareholding to the companies controlled by Maxim Bakiev.

On August 12, 2010, Bishkek Interdistrict Court for Economic Cases declined Fiacconi's request to joint his lawsuit with the National Bank's lawsuit.

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The sources of news contained in the Update are websites:  
[www.akipress.kg](http://www.akipress.kg), [www.24.kg](http://www.24.kg), [www.parus.kg](http://www.parus.kg), [www.kyrgyz-el.kg](http://www.kyrgyz-el.kg)

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