



BANKING & FINANCE

INDUSTRY AND LEGAL UPDATE

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Industry Update

Leasing activity in Kyrgyzstan is developing and demand for this institution is growing, says Vice Prime Minister D. Otorbaev

The 2nd Bishkek Leasing Forum was held on May 24, 2013.

According to Vice Prime Minister Mr. Djoomart Otorbaev, leasing activity in Kyrgyzstan started 10 years ago, after the adoption of the corresponding law. According to Mr. Otorbaev, it took 10 years to develop the appropriate legal instrument. Thus, the volume of leasing transactions before 2011 amounted to \$ 2,000,000, in 2011 to \$ 5 million, and in 2012 to \$ 12 million.

"Such growth is direct evidence that leasing activity is developing and that demand for this institution is growing. We have introduced new amendments to the Tax Code that exempt banks and leasing companies from certain taxes. Maybe this was the reason for the growth in the volume of transactions. We hope that these efforts will help increase the volume of transactions significantly. It is worth noting that foreign suppliers of agricultural machinery have demonstrated great interest. The Ail Agro-2013 International Exhibition was held in Bishkek with the participation of 25 companies from 5-6 countries. It is expected that the EADB will provide a credit facility to finance leasing operations", observed the Vice Prime Minister.

The recoverability of microcredit in Kyrgyzstan is 97-98% - AMFO

The percentage recovery of loans extended by microfinance institutions and credit unions stands at 97-98%. In other words, the number

Legal Update

Regulations on the minimum requirements for commercial bank and non-bank financial institution cash transactions in the Kyrgyz Republic dated March 27, 2013 N 9/10

These Regulations establish minimum requirements for the amount of Kyrgyz national currency, in the form of banknotes and coins (hereinafter, cash), teller transactions must be conducted in during banking operations and other transactions.

These Regulations apply to banks and non-bank financial institutions licensed and/or regulated by the National Bank of the Kyrgyz Republic (hereinafter, the National Bank), with the exception of currency exchange offices.

These Regulations govern teller transactions conducted through cash offices of non-bank financial institutions, with the exception of automatic teller machines (cash-in terminals), and establish the requirements for the location, cash supply, and security of remote terminals.

This regulatory act aims to regulate the processes connected with the auditing of value, acceptance and disbursement of cash and transportation and collection of cash. Also, it establishes the minimum requirements for working with questionable worn-out/ damaged banknotes and coins and the minimum requirements for the location of terminals, automated teller machines and self-service terminals.

Overnight Credit Regulation of the National Bank of the Kyrgyz

of customers with overdue payments is approximately equal to 3% of the total number of borrowers in the sector. This was reported by the Association of Microfinance Institutions.

"Most microfinance institutions take a special approach to dealing with borrowers who have overdue payments. In some cases, they assist them with the restructuring, renewal or cancellation of their debt. During the period from January to October 2012, 12 member-companies of the Association of Microfinance Institutions restructured 804 loans for a total amount of 54.7 million soms. It also prolonged 157 loans totaling \$ 12 million soms and wrote off more than 5,700 loans amounting to about 65 million soms. The amount corresponding to loans written off only applies to the principal amount of debt", said the association.

It should be noted that the maximum fine for the borrower, according to the current regulations of the National Bank of the Kyrgyz Republic, may not exceed 20% of the lent amount for the entire period of the loan.

AMFO stressed that, unlike pawnshops and pawnbrokers, microfinance institutions work a lot to assist vulnerable groups. In 2012 alone, the member companies of the Association of Microfinance Institutions organized over 50 charitable and sponsorship events.

In the 1st quarter of 2013 the average loan in Kyrgyzstan was 46.9 thousand soms

According to the National Statistics Committee, in the 1st quarter of 2013, the average loan was 46.9 thousand soms. Compared to each of the previous years, this is the highest rate ever. Kyrgyz citizens, on average, borrowed 36.1 thousand soms in 2011 and 43.5 thousand soms in 2012.

Bishkek accounted for the highest average loan by region - 63.3 thousand soms, and the Issyk-Kul region accounted for the lowest - 40,1 thousand soms.

We note that trade and public catering accounted for the highest average loan in the first three months of 2013 (69 thousand soms), and consumer loans accounted for the lowest (38.6 thousand soms).

The recovery of microcredit reached 90.1% in the 1st quarter.

Republic dated March 28, 2013 N 10/7

This Regulation defines the process by which the National Bank provides overnight credit through its automated trading system to commercial banks in the Kyrgyz Republic (hereinafter, the Bank(s) that are licensed by the National Bank.

Overnight Credit means a loan in soms provided by the National Bank to a Bank during the trading day on the condition of repayment no later than the next working day, at a fixed rate and against collateral in the form of a mortgage.

Overnight Credit is provided to the Bank in order to maintain short-term liquidity in local currency, with maturity on the next business day after the date of issuance, at a fixed interest rate and against collateral in the form of a mortgage, on any working day except the last business day of the quarter.

The interest rate for "overnight" loans established by the Board of the National Bank may be changed based on the goals and objectives of the monetary policy pursued by the National Bank.

The Bank's obligation to repay the overnight loan is secured by collateral in the form of a mortgage. The subject of the collateral in the form of a mortgage is government securities. The Board of the National Bank establishes the requirements for the adequacy and type of the security.. Government securities pledged to the National Bank may not be pledged or repledged to a third party.

Rules of trading on the interbank foreign exchange market through the automated trading system of the National Bank of the Kyrgyz Republic dated March 28, 2013 N 10/16

These rules define the procedures for operations in foreign currency on the interbank foreign exchange market of the Kyrgyz Republic through the automated trading system (hereinafter, ATS) of the National Bank of the Kyrgyz Republic.

These rules are designed, through the operation of the ATS, to promote the development of an efficient, reliable, transparent and liquid interbank foreign exchange market in the Kyrgyz Republic.

These Rules, based on the principles of fair competition and equality of all traders, govern the procedures and principles of the conduct of traders using the ATS..

ATS traders are commercial banks of the Kyrgyz Republic. The National Bank is a trader with special status.

Traders may conduct the following types of transactions through the ATS on their own behalf and for their own account, in their own name, on behalf of clients and at their clients' expense:

- the purchase and sale of foreign currency for non-cash Kyrgyz soms;
- the purchase and sale of foreign currency for Kyrgyz soms;
- the purchase and sale of foreign currency on swap conditions, where one of exchanged currencies is Kyrgyz som.

Transactions made through the ATS are made by agreement among the traders, and the signing of a written agreement is not required for these transactions. The obligations under such transactions are performed in accordance with the terms and conditions set forth in these Regulations. Traders may enter into separate bilateral agreements governing the detailed terms and conditions of the settlements on transactions.



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