



## **BANKING & FINANCE**

INDUSTRY AND LEGAL UPDATE

**KALIKOVA &**  
**ASSOCIATES**  
*law firm*

*Information for effective business solutions*

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### **Industry Update**

May 11, 2015

#### **NBKR: Insignificant fines for violation of banking legislation are not worth the time spent by inspectors**

Insignificant fines for violation of banking legislation are not worth the time spent by the National Bank's inspectors to hold the culprits responsible. This is reported in the regulatory impact analysis of the bill proposed by the NBKR.

Foreign exchange market analysis has identified two areas for improvement of the legal and regulatory framework for the purposes of enhancing transparency in the FX operations and curtailing banking law violations.

First area concerns changes to be made in the NBKR regulatory acts in respect of the requirements for conversion operations; second area is about changes to be made in the Code of Administrative Liability in respect of the fines for banking law violations.

In the first case, the NBKR proposes to gradually raise requirements for exchange offices based on the regulatory impact

### **Legal Update**

March 20, 2015

#### **National Bank proposes increase of administrative fines for engaging in banking operations without license**

The National Bank proposes to increase the administrative fines for engaging in banking operations without license. On March 20, Tolkunbek Abdygulov, the Chairman of the National Bank of the Kyrgyz Republic presented the relevant bill at the meeting of the Respublika faction.

According to him, the bill proposes to increase administrative fines for engaging in banking operations without license from KGS 2 thousand to KGS 50 thousand for citizens, and from KGS 3 thousand to KGS 100 thousand KGS for officials. The fine for legal entities will increase to KGS 200 thousand. In general, the amendments are aimed to regulate operations of exchange offices.

"There has been much work in the past year. Out of more than 1 thousand exchange offices operating countrywide, only 300 have licenses. The fine is only KGS 2 thousand. They pay the fine and continue to operate, he added.

Mr. T. Abdygulov informed that previously

analysis of the previous stage.

In the second case, the NBKR proposes to raise the fines for administrative violations, specifically, for engaging in banking and fundraising activities without relevant licenses.

In the opinion of specialists, the need for such changes arose due to irrelevance of the fines established in 1998 and failing to fulfill their role in preventing violations. As the practice shows, offenders held responsible by the NBKR for violating the provisions of Chapter 27 of the Code continue to abuse law.

<http://www.akipress.org>

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May 9, 2015

### **President Atambaev stresses active role of banking community in Eurasian economic integration**

President Almazbek Atambaev congratulated bankers on their professional holiday and stressed the important role played by the banking sector in safeguarding national economic security and financial stability. He also added that the banking community should play an active role in the Eurasian economic integration. Kyrgyz banks should act as a catalyst for economic growth. They, however, should be ready to face new economic challenges arising in the area of international cooperation and global integration.

<http://www.akipress.org>

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March 17, 2015

### **World Bank to support National Bank's efforts to curb inflation**

The World Bank representatives declared their willingness to support, if necessary and requested by the National Bank, its efforts to curb inflation. The meeting between the Chairman of the National

proposed amendments were discussed with the Association of Exchange Office Operators and they voiced their support. As a result, the faction approved the concept of the bill in the third reading.

<http://www.tazabek.kg/>

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February 26, 2015

### **National Bank: bill proposing closure of exchange offices to be sent to government**

A few days ago the bill proposing the closure of exchange offices will be sent to the government for consideration. This was reported today during the press conference at Kabar agency by the Chairman of the National Bank Tolkunbek Abdygulov.

According to him, Parliament has already reviewed this document. Now the document is in the process of coordination and editing. We have initiated the increase of the fines for operating exchange offices without license and for violating the accounting rules. The fine will be increased to up to KGS 50-100 thousand, T. Abdygulov added.

<http://pda.kabar.kg/economics/full/90423?all>

### **Law of Kyrgyz Republic of January 21, 2015 №21 on payment system of Kyrgyz Republic**

The law establishes procedure and forms of payment and settlement, money transfers in the Kyrgyz Republic, determines characteristics of payment systems, payment and settlement procedures, supervision (oversight) over payment systems and powers of the National Bank of the Kyrgyz Republic (hereinafter - the National Bank ) related to the payment system of the Kyrgyz Republic.

The law also regulates relations arising from the payment and settlement of transactions among business entities in the Kyrgyz Republic and abroad, money

Bank Tolkunbek Abdygulov and the World Bank delegation headed by the Regional Director for Central Asia Saroj Kumar Jha was held in Bishkek.

As reported by the National Bank's press service, the parties discussed the current social and economic situation and economic growth forecast in the Kyrgyz Republic in connection with the slowdown of economic growth in Russia and Central Asia region, entry of the Kyrgyz Republic into the Eurasian Economic Union, as well as upcoming Parliamentary elections.

At the end of the meeting, the National Bank was offered to further discuss issues of the Kyrgyz economy and to meet at the annual Spring meeting of the World Bank Group and the International Monetary Fund, which will be held on April 17-19, 2015 in Washington, DC (USA).

<http://www.tazabek.kg/>

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March 16, 2015

### **Savings bank to be established by integrating Kyrgyzpochtasy and RSK Bank**

Kalykbek Sultanov, the Minister of Transport and Communications, told about the possibility of reorganizing Kyrgyzpochtasy into a bank. According to him, a working group has been established to deal with the integration of the state-owned enterprise.

"Currently, the integration between Kyrgyzpochtasy and RSK Bank or other state-owned bank is under consideration. Earlier this year, the Government established a working group to explore the issue of establishing a postal savings bank, Kyrgyz el pochta amanat banky based on Kyrgyzpochtasy and RSK Bank or other state bank. This issue will be carefully explored by the interdepartmental working group", the Minister added.

Earlier, the Government approved the

transfers among individuals and legal entities (international/cross-border payments and remittances), as well as the relations arising during the payment, settlement and money transfers through post offices.

The law defines the procedure for using settlement (current) accounts during clearing settlement, organization of clearing settlements and money transfers. The law also establishes the legal status of electronic payment instruments and procedures of filling of electronic payment documents.

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### **Regulation on licensing of operators of payment systems and payment organizations as of December 24, 2014 № 58/9**

The Regulation establishes the procedure for licensing by the National Bank of the Kyrgyz Republic (hereinafter - the National Bank) of the activities involving:

- 1) the provision of services related to receiving and making payments and settlement for goods and services which are not result of own activities in favor of third parties by means of payment systems based on information technology and electronic media and methods of payment;

- 2) the provision of services related to receiving, processing and delivery of financial information (processing, clearing) on payment and settlement of third parties payment system participants of this processing, clearing center.

The Regulation also establishes the procedure for approval of founding documents and reorganization, requirements for officials of operators of the payment system and payment organizations, mutual relationship among the participants of the payment system.

This Regulation shall not apply to agents providing retail banking services to the population under the agency agreement with the commercial bank, as well as banks and financial institutions on the basis of banking license from the National Bank and

project involving the development of Kyrgyzpochtasy state enterprise. The main goal of the project is to promote financial services through Kyrgyzpochtasy post office network by the gradual improvement of 400 post offices, including the installation of components of the information and communication technologies of financial management systems. The cost of the project implementation is 5,550,000 USD. It is proposed to conduct reorganization in three stages. Over the period from 2014 to 2017, it is proposed to develop the integrated corporate automated information and communication technology network in the central office and to install automated systems at 400 post offices. In 2018 -2021 years, it is planned to introduce automated systems and technologies developed during the first stage, at the remaining 470 post offices, as well as to repair all post offices at the expense of the project. The final stage is scheduled for 2022 and 2023 years, when it is expected to integrate the new automated systems and technologies introduced at Kyrgyzpochtasy post offices and to create the integrated corporate communication system and to integrate it with the partners' payment information systems.

The Minister added that the integration of RSK Bank and Kyrgyzpochtasy operations is possible on the contractual parity basis, taking into account mutual interests and technological opportunities of the parties, as well as the interests of the country's population in obtaining the most affordable postal, banking and other financial services throughout the country.

<http://www.vb.kg/306437>

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March 16, 2015

### **Head of National Bank of Kyrgyz Republic met with World Bank delegation and discussed economic situation in Kyrgyz Republic**

The head of the National Bank of the

also agents and subagents of licensees. The licensee is an operator of payment systems and/or a payment institution licensed by the National Bank to perform activities.

According to the Regulation, the National Bank is entitled to request information from licensees regarding their activities as well as information about their officials, agents and subagents. Licensees are required to provide the requested information by the specified time.

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Kyrgyz Republic (NBKR) Tolkunbek Abdygulov has met with the World Bank (WB) delegation headed by Saroj Kumar Jha, Regional Director for Central Asia.

The parties discussed the current social and economic situation in Kyrgyzstan and economic growth forecast in the Kyrgyz Republic in connection with the slowdown of economic growth in Russia and Central Asia, entry of the Kyrgyz Republic into the Eurasian Economic Union, as well as upcoming parliamentary elections.

The World Bank representatives expressed their willingness, if necessary, upon request of the National Bank, to provide technical assistance in its efforts to curb inflation.

At the end of the meeting the National Bank was offered to further discuss the issues of the Kyrgyz economy and meet at the annual Spring meeting of the World Bank Group and the International Monetary Fund, which will be held on April 17-19 2015 in Washington, DC (USA).

<http://www.nbkr.kg/>

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March 11, 2015

**First electronic resource to improve financial literacy of population [www.finsabat.kg](http://www.finsabat.kg) launched in Kyrgyzstan**

The National Bank of the Kyrgyz Republic has developed and launched the first website in the country dedicated to financial literacy.

Information portal [finsabat.kg](http://www.finsabat.kg) is a regularly updated integrated resource in the Kyrgyz and Russian languages, which contains relevant materials on economy and finance topics, prepared by government agencies and financial institutions, to promote financial literacy of the population. Educational materials contained on this website will help the reader understand the work of domestic financial and banking

systems, their impact on the life of every person, provide full information on products and services offered by financial institutions in the country, the rights and obligations of borrowers.

For the convenience of readers, information on the website is classified by thematic sections. For example, the Legislation section contains the legal and regulatory acts of the Kyrgyz Republic, governing the relations between the providers of banking services and their consumers.

The Consumers section contains general information about money, loans, deposits, payment cards, etc. For example, by following the link, one can read interesting articles about the national currency, its history, types, foreign exchange operations, etc.

The Media section contains educational publications of news agencies, newspaper articles, as well as audio and video materials, aired on television and radio in the framework of public education campaigns.

An electronic version of a children's book, *Teaching Children about Money*, is also posted on the website. This book was developed by the National Bank in the form of a comic book to facilitate young readers' perception of information that is new and possibly difficult for them.

*The ABC of Money for Kids* is a handbook in the Russian and Kyrgyz languages distributed in the regions with the aim of introducing the most basic economic concepts encountered by children in their daily lives.

The Educational video section contains video lectures recorded by employees of the National Bank on the most relevant topics. Today, the lectures available on the website covers the rights and obligations of borrowers, security features of national currency notes, benefits of bank cards, etc.

By following the Test Yourself link, every reader can check their level of knowledge

in the field of finance. Tests on various topics contain 20 questions with multiple-choice answers.

<http://www.nbkr.kg/>

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March 4, 2015

### **State Tax Service and 10 banks agreed to accept non-cash payments**

The State Tax Service is actively working on the development of non-cash payment system. This is reported by the press service of the State Tax Service.

Thus, the State Tax Service has signed contracts with more than 10 commercial banks to accept payments through payment terminals and to install the non-cash payment tools and systems for tax payments. For comparison, only 1 agreement with a commercial bank was concluded in 2013.

As of today, there are 1,450 payment terminals acting in Kyrgyzstan, with 30,361 payments covering KGS 52.2 million of taxes made through them in 2014 (as opposed to 1,308 payments covering KGS 2.1 million of taxes made through them in 2013), the State Tax Service reported.

In addition, within the framework of developing the system of non-cash payments made through payment terminals, there has been launched and expanded the list of taxes accepted from natural persons and individual entrepreneurs, namely, the tax on the basis of compulsory/voluntary patent, income tax, non-agricultural/agricultural land tax, land tax on household plots and property tax of I-IV groups.

<http://www.vb.kg/>

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March 4, 2015

## **National Bank of Kyrgyz Republic reports Kompanion Financial Group Microfinance company European investment in Kyrgyz economy**

The National Bank of the Kyrgyz Republic informs about the entry of three new shareholders into Kompanion Financial Group MFC CJSC and the increase in the organization's charter capital from KGS 650.4 million to KGS 1 billion 616 thousand. The new shareholders are represented by the international financial institutions and social and innovation funds of the Netherlands and the Grand Duchy of Luxemburg. Kompanion's founder Mercy Corps will remain majority shareholder and hold a 65% stake.

17.5% of the shares of Companion are held by the Netherlands Development Finance Company (FMO) which supports private sector enterprises in developing countries through loans, guarantees and capital investments. FMO has an AAA long-term international credit rating. The Government represented by the Ministry of Finance of the Netherlands holds 51% of the shares of FMO.

The Chairman of the National Bank of the Kyrgyz Republic Mr. Tolkunbek Abdygulov congratulated Kompanion's representatives, noting that its team had made great efforts to attract serious investors to Kyrgyzstan. "This is a historic step for the financial system of the country when an investor with such rating comes to our market. Any investor before investing money looks at not only financial performance, but also the development prospects of the company. Kompanion has been working for long in the lending market and has gained some credibility and client base. The National Bank is encouraged by the fact that you not only concentrate on your direct functions, but also work on the development of the local communities, Mr. T. Abdygulov added.

<http://www.nbkr.kg/>



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March 4, 2015

### **National Bank issues license to FINCA Bank**

On March 3, 2015, the National Bank of the Kyrgyz Republic issued a banking license FINCA Bank CJSC to engage in banking operations in the national and foreign currencies. This was reported by the press service of the National Bank.

The Chairman of the Board of FINCA Bank, Margarita Cherikbaeva, noted that the transformation of FINCA CJSC into commercial bank is the next stage in the development of the company, which is part of FINCA International global network consisting of banks and microfinance institutions in 23 countries.

FINCA started operations in Kyrgyzstan in 1995. Its loan portfolio as of February 1, 2015 was KGS 7.5 billion.

<http://rus.azattyk.org/>

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March 3, 2015

### **K. Mamakeev buys Kazkommertsbank Kyrgyzstan for USD 2.4 million**

The transaction involving the sale by Kazakh Kazkommertsbank of its subsidiary Kazkommertsbank Kyrgyzstan amounted to KGS 146,987,500 or USD 2,396,665.5 (at the current exchange rate of the National Bank).

According to confirmed data, as of today, the shares were sold by a legal person, Kazkommertsbank JSC, to a natural person, Kanat Mamakeev, the CEO of Kazkommertsbank Kyrgyzstan OJSC.

According to Kyrgyz Stock Exchange, in February 2015, there were conducted 203 transactions involving 9,008,083 securities

amounting to KGS 174,41 million.

The volume of non-listed shares traded in February 2015 amounted to KGS 160.08 million. The largest transaction in the sector was the transaction involving securities of Kazkommertsbank Kyrgyzstan OJSC, which covered more than 93% of the total volume of trade.

Kazakh Kazkommertsbank sold its subsidiary Kazkommertsbank Kyrgyzstan. The ordinary shares of this company were sold in one day.

Earlier, it was reported that Kazakh Kazkommertsbank had sold its shares in its subsidiary Kazkommertsbank Kyrgyzstan JSC in the framework of integration with BTA Bank and optimization of subsidiary structures. The transaction took place on February 16, 2015.

The number of shares sold was 293,975 ordinary shares, which is 95.7461% of the share capital of Kazkommertsbank Kyrgyzstan JSC.

<http://www.tazabek.kg/>

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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), etc.

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