



BANKING & FINANCE

INDUSTRY AND LEGAL UPDATE

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Industry Update

February 13, 2017

The assets of Kyrgyz banks have only increased by 0,1 percent over the year

Over the year, the total assets of the banking industry of Kyrgyzstan have increased by 0,1 percent and amounted to 178,2 billion soms.

It is noted that by early 2017, 25 commercial banks and 324 of their branches were operating in the republic. According to the results of the year, the deposit base has increased by 5 percent as opposed to the loan portfolio that decreased by 0,5 percent.

At the same time, as of December 31, 2016 the share of classified (problematic) loans was 8,8 percent, which amounts to 8.2 billion soms. In 2015 the indicator was lower – 7,1 percent amounting to 6,7 billion soms.

www.24.kg

February 10, 2017

The Kyrgyz som has a graphic symbol now

The graphic symbol of the official currency of Kyrgyzstan – som – has been approved.

The National Bank of the Kyrgyz Republic (the NBKR) recommends commercial banks, non-bank financial and loan institutions, other legal entities and individuals to use the symbol as an indicator of the som during production, placement and distribution of advertisement on the goods, jobs and services markets, and of information, reference materials, as well as for other purposes.

Legal Update

February 17, 2017

Public discussion of the draft Temporary Regulations “On the special procedure for the introduction of banking innovative services in the Kyrgyz Republic”

With a view to stimulation of the financial market and increasing access to financial services in the regions of the Kyrgyz Republic, as well as development of the competition and reducing of the costs of cashless payments, the NBKR is conducting public discussion of the draft Temporary Regulations “On the special procedure for the introduction of banking innovative services in the Kyrgyz Republic”.

Therefore, the NBKR requests to submit comments and suggestions regarding this draft within the time limits set forth by the legislation of the Kyrgyz Republic to the following emails: makulueva@nbkr.kg, oevlashkova@nbkr.kg.

www.nbkr.kg

February 1, 2017

The NBKR informs that the draft Regulations on granting to commercial banks of the Kyrgyz Republic of the right to transfer their currency assets from accounts in financial and loan institutions, which have a high risk of insolvency and/or bankruptcy, to deposit currency accounts opened in the National Bank of the Kyrgyz Republic is available for public discussion on the official web-

www.24.kg

January 24, 2017

The trading volume on the interbank market of Kyrgyzstan has declined by 80,9 percent

In 2016 the volume of operations on the interbank market of Kyrgyzstan declined by 80,9 percent.

It is noted that last year the situation on the interbank loan market was characterized by the decline in the volume of operations and average weighted interest rates. The total volume of the operations was 6,4 billion soms.

The average weighted interest rates decreased from 11,02 percent in January to 1,54 percent in December. The NBKR explains that it took place due to the high level of the excess liquidity in the banking system, which remained during the year.

Over the year of 2016, the total volume of repurchase transactions amounted to 4,5 billion soms, the volume of loans in the national currency on the interbank market – to 1,9 billion soms.

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January 19, 2017

Loans worth more than USD 170 million has been received from the Development Fund by entrepreneurs of Kyrgyzstan

As of today, the Russian-Kyrgyz Development Fund (the RKDF) has provided concessional (low-interest) loans for the amount of USD175 million for the implementation of 637 projects.

Since the establishment of the RKDF, concessional loans for the amount of USD 3 million have been available to entrepreneurs through “RSK” Bank and “Aiyl” Bank. Currently, the work is conducted through “Kyrgyzstan” and “BTA” Banks.

It is noted that the priority industries for financing include agricultural sector, garment, textile, processing, mining and metallurgical industries, transport, tourism, and medicine.

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January 17, 2017

The President and the Head of the NBKR discussed Kyrgyzstan’s

site of the NBKR in Normative acts/Drafts for public discussion section

The NBKR requests to submit comments and suggestions regarding this draft not later than March 1, 2017 to the following emails: isaifullin@nbkr.kg, deraliev@nbkr.kg

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January 30, 2017

The draft “On introduction of amendments and additions to some resolutions of the Board of the National Bank of the Kyrgyz Republic” has been approved

The Board Decision of the NBKR approved the draft “On introduction of amendments and additions to some resolutions of the Board of the National Bank of the Kyrgyz Republic”, particularly to the parts related to the Periodic regular banking reporting, reporting of the credit unions, including on the Islamic principles of banking and financing.

These amendments and additions have been developed due to the need for obtaining data for conducting a correct analysis on the reporting received. In addition, the draft is developed taking into account the draft on introduction of amendments and additions to the Regulations “On classification of assets and the relevant contributions to the reserve for the covering of potential losses and damages”. These amendments and additions will also apply to the banks operating in accordance with the Islamic principles of banking and financing.

The draft has been submitted for public discussion and is available on the official web-site of the NBKR in the Normative acts/Drafts for discussion section.

The NBKR requests to submit comments and suggestions regarding this draft in Word format not later than March 1, 2017, including to the following emails: jkonoeva@nbkr.kg и anazarbaev@nbkr.kg.

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December 28, 2016

The Resolution of the Board of the National Bank of the Kyrgyz Republic of December 21, 2016 № 49/8 introduced amendments and additions to some resolutions of the NBKR Board regarding the Islamic principles

transition to cashless transactions

The President Almazbek Atambaev and the Chairman of the NBKR Tolkunbek Abdygulov discussed Kyrgyzstan's transition to the use of cashless payments.

It is noted that during the meeting Almazbek Atambaev was informed on the main macroeconomic indicators, current situation on the currency market and in the banking sector of the country, as well as on the measures adopted to reduce the inflation level and to stabilize the exchange rate of the national currency.

The preliminary results of the implementing of the State program on increasing the share of cashless payments and transactions in the country, as well as the future plans were discussed.

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January 11, 2017

The NBKR is selling dollars, but the international reserves are increasing

Despite the fact that the NBKR is selling dollars on the currency market, the international reserves of Kyrgyzstan have increased according to the results of the year.

It is noted that according to the results of 2016, the international reserves of the country amounted to USD 1 billion 969,13 million. It is 10,7 percent more than it was in 2015.

In December, for the first time in three months, the volume of the reserves started increasing. It increased by 2,67 percent (by USD 51,26 million).

The largest accumulation of the reserves took place in June and August of 2016 – USD 2 billion 3,27 million and USD 2 billion 25,73 million accordingly.

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December 27, 2016

NBKR expects that the inflation indicator according to the results of 2016 will be close to zero

The NBKR expects that the inflation indicator according to the results of 2016 will be close to zero and that in the coming months inflation environment will remain low.

Therefore, according to the head of the NBKR Tolkunbek Abdygulov, and taking into account current forecasts of price dynamics, the NBKR board considers it expedient to reduce the interest rate.

of banking and financing

Amendments and additions has been introduced to the following resolutions:

- 1) "On approving the Regulation "On minimum requirements for model contracts of microfinance institutions and credit unions entered into in accordance with the Islamic principles of banking and financing" of October 23, 2013 № 39/9;
- 2) "On approving the Regulation "On operations carried out by microfinance institutions and credit unions in accordance with the Islamic principles of banking and financing" of October 26, 2011 № 60/8;
- 3) "On the Regulation "On implementation of the Islamic principles of financing in the Kyrgyz Republic in the framework of a pilot project" of October 30, 2006 № 32/2;
- 4) "On the Regulation "On requirements for model contracts entered into in accordance with the Islamic principles of banking and financing" of September 30, 2009 N 39/4;
- 5) "On approving the Regulation "On operations carried out in accordance with the Islamic principles of banking and financing" of September 23, 2009 № 38/8.

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December 22, 2016

The Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, banks and banking activities" is signed

The President of the KR Almazbek Atambaev signed the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, banks and banking activity". The Law is adopted by the Jogorku Kenesh of the KR on November 30, 2016.

The adopted Law entails consolidation of banking laws into a single normative and legal act by combining the following main laws regulating the banking activity: "On the National Bank of the Kyrgyz Republic", "On banks and banking activity in the Kyrgyz Republic", "On operations in foreign currency", "On bank secret", "On suspension of activities, liquidation and bankruptcy of banks".

The Law enters into force six months after the date of official publication of the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, banks and banking activity".

www.president.kg

December 17, 2016

Amendments are introduced to the Law of the Kyrgyz Republic "On the

Responding to the questions of journalists regarding the expected inflation level, he informed that currently the money supply amounts to 80 billion soms, but the NBKR is guided by medium-term inflation indicators at the level of 5-7%.

www.tazabek.kg

December 27, 2016

The level of dollar loans in Kyrgyzstan has declined to 44 percent

The Chairman of the NBKR Tolgunbek Abdygulov noted that this year the interest rate has been reduced three times. In the end, it halved – from 10 to 5 percent.

«The cost of loans in foreign and national currencies is decreasing. The weighted average of the interest rate in soms decreased by 1,58 percent and reached 22,66 percent. In foreign currencies, loan interest rate decreased by 2,03 percent and reached 11,57 percent», Tolgunbek Abdygulov pointed out.

«Dollarization of loans declined to 44 percent, and deposits – by 12,6 percent – to 53 percent. The situation on the currency market is stable. The som has been strengthening by 8,5 percent. Currency interventions were carried out only to smooth short-term exchange rate fluctuations», Tolgunbek Abdygulov commented.

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December 27, 2016

The National Bank of the Kyrgyz Republic reduced the interest rate to 5 percent

On December 26, 2016 the NBKR board decided to reduce the interest rate (policy rate) by 50 basis points to 5 percent.

The next meeting of the NBKR board on interest rate will take place on February 27, 2017.

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December 5, 2016

The members of the parliament propose to extend the rights enjoyed by banks to international organizations in the Kyrgyz Republic

A bill on providing international organizations - established by the Kyrgyz Republic (KR) together with other states in the framework of the Eurasian Economic

securities market”

The President of the KR Almazbek Atambaev signed the Law of the Kyrgyz Republic “On introducing amendments to the Law of the Kyrgyz Republic “On the securities market”.

The Law is adopted by the Jogorku Kenesh on November 16, 2016.

The purpose of the Law is to introduce new financial tools to the financial market of the Kyrgyz Republic, in particular the following Islamic securities (sukuk):

1. Islamic lease certificates (Sukuk al Idjara);
2. Islamic certificates of project financing (Sukuk al Istisna);
3. Islamic certificates of equity participation (Sukuk al Mudaraba);
4. Islamic certificates of investment agency (Sukuk al Wakala Bi Al Istitmar);
5. Islamic partnership certificates (Sukuk al Musharaka).

The adopted Law introduces a new chapter 61 on specificities of issuance and circulation of the Islamic securities that clarifies the requirements for issuance of the Islamic securities, supplements the provisions on repayment of the Islamic securities, defines the legal form of a special finance company, etc.

The Law enters into force fifteen days after the date of the official publication.

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Union (EAEU) – with a possibility to act as a mortgagee of agricultural land, as well as with the respective legal status similar to the one given by the legislation of the republic to banks and special financial institutions has been submitted to public discussion.

It is expected that adoption of this bill will enable international organizations established by the KR together with other states in the framework of the EAEU to implement projects and concessional funding programs in agricultural industry of the republic on a wider scale by granting loans secured by agricultural land as the pledge.

www.vb.kg

The sources of news contained in the Update are websites: www.24.kg, www.vb.kg, www.tazabek.kg, www.nbkr.kg, www.president.kg, etc.

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If you have any comments, please contact Azima Bokoshova at abokoshova@k-a.kg

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