



## CORPORATE ISSUES INDUSTRY AND LEGAL UPDATE

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### Industry Update

March 5, 2015

#### Kompanion attracts investments from the Netherlands

Kompanion Financial Group MFC CJSC announced the entry of the new shareholders (the Dutch investors) and the share capital increase from 650.4 million KGS to 1 billion 616 thousand KGS.

The new shareholders will be represented by an international financial institution and social innovation funds of the Netherlands and Luxembourg. Kompanion's founder Mercy Corps (international non-governmental aid and development organization) will remain majority shareholder and hold a 65% stake.

Kompanion's CEO, Ulanbek Termechikov, commented "The capital increase and attracting Dutch investments to the financial sector of Kyrgyzstan is one of important stages of the company's development".

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.

Mrs. Linda Broekhuizen, Chief Investment Officer at FMO, said: "We are delighted to work together with Kompanion, which is committed to the development of low-income communities. Kompanion's approach to community development finance contributes significantly to the economic and social development of the Kyrgyz population."

### Legal Update

March 6, 2015

#### Ministry of Economy proposes to lift ban on privatization of Kyrgyz Temir Jolu state-owned enterprise

The Ministry of Economy proposed to amend the Law of the Kyrgyz Republic on Railway Transport. This was reported in the government.

The amendments propose corporatization of Kyrgyz Temir Jolu National Company state-owned enterprise of the Ministry of Transport and Communications of the Kyrgyz Republic.

Currently, considering the lack of budget subsidy, the company is operating on a full-scale cost accounting basis. Meanwhile, the Kyrgyz railway trains are driven by locomotives built 40 years ago. Except for two new locomotives, the entire fleet of locomotives of Kyrgyz railway has to be decommissioned.

According to the Ministry, as of today, there is a need to reform the management of railway transport and to improve efficiency of its operation.

"Lifting the ban on privatization of state-owned enterprises will allow to address complex tasks aimed at further urgent renovation and modernization of vehicles and railways to ensure their transparent operation," experts said.

Reportedly, if adopted, the decision to undertake corporatization will facilitate the introduction of corporate governance principles, better internal control practices, increased productivity and reliability, higher quality of services provided by the company meeting the requirements of consumers, which in general will increase the

17.5% of the shares are held by two Triodos investment funds.

Triodos Fair Share Fund (the Netherlands) was first to achieve the status of social-ethical investment fund.

Triodos Sicav II - Triodos Microfinance Fund (Luxembourg) aims at increasing access to financial services for low-income people in developing countries through the provision of loans and/or equity to microfinance institutions.

Kompanion made an important step in establishing long-term economic relationships between Kyrgyzstan and the Netherlands and intends to vigorously strengthen and develop them in the future.

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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.

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March 3, 2015

## Ontario Superior Court arrests 6.5 million Centerra Gold shares in favor of Latvian businessman Valery Belokon

According to the head of Kyrgyzaltyn, Tokon Mamyтов, securities are arrested at the suit of Latvian businessman Valery Belokon pending trial.

According to the Latvian mass media, Valery Belokon turned to the Canadian court after the government of Kyrgyzstan failed to go through with its liabilities in accordance with the ruling of the International Court of Arbitration in Paris on October 24, 2014, which ordered the Kyrgyz government to pay \$16.5 million to Belokon to compensate for his bank's nationalization.

In April 2010, following the shift of political power in Kyrgyzstan, representatives of the new government took over Belokon's owned Manas Bank. In connection with the bank expropriation,

effectiveness of the company.

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February 3, 2015

## MPs draft bill on Batken FEZ

A group of MPs draft a bill on Batken FEZ. This was reported on February 3 at the session of the parliamentary committee on economic and fiscal policy by MP Alla Izmalkova (SDPK).

The bill proposes to introduce the FEZ between two areas: Leilek and Batken.

"We also discuss similar zones in Russia and Belarus. There are remote villages to which investment should be attracted by offering incentives to such investors, MP said.

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January 28, 2015

## Parliament approve the first reading of amendments to law on state registration of legal entities, branches (representative offices)

As previously reported by the initiator of the draft law, the Minister of Justice Almambet Shykmamatov, it is proposed according to the draft law to prescribe that the Parliament, the Government and the Supreme Court are not subject to registration, as they are public authorities defined by the Constitution and have legal capacity of legal entities.

"The Committee on human rights, constitutional law and state structure suggested to indicate that public authorities cannot be subject to registration, as defined by the Constitution of the Kyrgyz Republic and have the legal capacity of legal entities as under the Constitution of the Kyrgyz Republic, apart from the Parliament, the Government and the Supreme Court, agencies of state power include other public authorities, such as the General Prosecutor's Office, the National Bank, the Central Commission for Elections and Referenda, the Counting Chamber, the Ombudsman, and also local government bodies. We agreed with the proposed wording", he added.

The Minister also noted that in original version of the draft law it was proposed to include additional grounds for refusal of registration of legal entity, branch (representative office) if the name of the legal entity, branch (representative office)

Belokon initiated international arbitration against the government of Kyrgyzstan.

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

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February 3, 2015

## **SPMF to decide on liquidation or reorganization of state-owned enterprises**

Based on results of state-owned enterprise performance assessment by the interdepartmental commission, the State Property Management Fund will consider their reorganization or liquidation. This was reported by the SPMF press service.

The interdepartmental commission will carry out efficiency and performance analysis of state-owned enterprises, propose reorganization or liquidation of inefficient state-owned enterprises, and will examine the necessity of entities managed by various ministries and agencies in terms of their status as a legal entity, branch or representative office.

According to the latest data of the Ministry of Justice, there are 1,105 state-owned enterprises registered in the Kyrgyz Republic, including 386 in Bishkek, 162 in Chui region, 71 in Osh, 86 in Osh region, 65 in Naryn region, 78 in Batken region, 108 in Issyk-Kul region, 48 in Talas region, 101 in Jalal-Abad region.

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February 3, 2015

## **President's Executive Office official N. Ahmetova to head Kyrgyz-Russian Development Fund**

According to Tazabek news agency, Nursulu Akhmetova is appointed as the Chief Executive Officer of the Kyrgyz-Russian Development Fund. Earlier, she was the Head of financial and economic analysis and monitoring of the President's Executive Office in the rank of the deputy chief of staff.

Reportedly, the corresponding order of the government is not issued, but will be issued today.

Almaz Aibalaev (Deputy CEO [from May 2007, ex-Deputy CEO] at RSK Bank] and Bakyt Kurmanbekov (ex-Deputy CEO at KICB) are appointed as Deputy CEOs of the Fund.

The Minister of Finance and the Minister of

offends the religious feelings of believers or the words used in the name are obscene.

"The Committee decided that proposed amendments can make unclear provisions and consequences and offered to restate such provisions so as the grounds for refusal of registration of legal entity, branch (representative office) may include the cases when the name of the legal entity, branch (representative office) contains elements of discrimination on the grounds of sex, race, language, disability, ethnicity, religion, age, political or other beliefs, education, origin, property or other status, as well as inappropriate and obscene words. We agreed with this proposal, A. Shykmamatov said.

<http://kg.akipress.org/>

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January 23, 2015

## **Ministry of Justice proposes to allow Internet news agencies to register as mass media**

The Ministry of Justice of Kyrgyzstan submitted for public discussion a draft law on amendments to some legislative acts, in particular, the law on mass media, according to which, if adopted, the Internet news agencies will have the right to register as mass media.

It is mentioned in the explanatory note that not every site can be considered as the Internet edition (internet media). An Internet site can be registered as mass media only if owners submit an appropriate application in due manner.

Law drafters indicate that news agencies in case of registration as mass media will be able to enjoy all the rights granted to mass media: to receive accreditation for event, to request information from public authorities and local self-government, including liability provided by legislation, etc.

In view of the foregoing, it is proposed to make amendments and additions to the Code of Administrative Responsibility (Articles 400, 508 and 556), according to which in case of breach of the media law, authorized body prepares the administrative report, which will be submitted for consideration to the appropriate court. By decision of the court, guilty persons will bear administrative liability up to the prohibition to engage in mass media activities. This is stated in the explanatory note signed by Almambet Shykmamatov, the Minister of Justice ("Ata Meken").

The Ministry of Justice explains that for today the

Economy are supposed to be the members of the Board of Directors.

However, this information is not confirmed by the President's Executive Office.

Meanwhile, Nikolai Chuikov, head of economy and investment department of the Government of the Kyrgyz Republic commented that the structure is approved, but the government decision is not issued yet.

Regarding the appointment of N. Ahmetova as the CEO of the Kyrgyz-Russian Development Fund, N.Chuykov commented: "I have no comment on the composition of the Fund. If you carefully read the Charter, the head of the department cannot be appointed as the CEO. The persons concerned can be either transferred to another position or released from office. State officials cannot be appointed as CEOs or deputy CEOs, this is a requirement of the Russian side specified in the Charter of the Fund."

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mass media registration procedure is carried out under the Regulation on the mass media registration, approved by the Government Resolution of August 19, 1992. In this regard, in case of adoption of the draft law, the Ministry of Justice will draft the new version of the above mentioned regulation.

In addition, the draft law proposes in Article 1 of the law on mass media to determine the form(s) of mass media and to add basic concepts used in the law.

It is also proposed to establish restrictions to prohibit the creation and distribution of information by certain categories of legal entities and individuals. It is proposed "in order to ensure information security of the Kyrgyz Republic, preservation of culture and unity of Kyrgyz people, in order to protect national security, public order, health or morals, rights and freedoms of the individual, prevention of mass media created by persons whose activities are prohibited by law or by court order, and to prevent financing and influence through the mass media by foreign states, foreign legal entities and individuals, politicians and stateless persons.

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