



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA &
ASSOCIATES
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Information for effective business solutions

Issue 20, April 2016 (quarterly)

Industry Update

April 18, 2016

The draft Resolution of the Government on creation of the State Guarantee Fund OJSC will be brought in the Office of the Government

According to the Government press office the draft Resolution on creation of the State Guarantee Fund OJSC will be brought in the Office of the Government soon.

According to the press office the Vice Prime Minister Oleg Pankratov gave such an instruction as a result of the meeting during which creation of the fund was discussed. Oleg Pankratov pointed out that it is one of the priority tasks of the Government. The main task of the guarantee fund will be providing assistance in crediting of small and medium-sized businesses by guarantee on loan and finance lease agreements. Creation of such fund will allow many entrepreneurs to obtain credit resources from banks which they need in order to develop business activity.

<http://24.kg/>

Legal Update

25 March 2016

Amendments to Joint-Stock Companies Law

President Almazbek Atambaev signed the bill proposing amendments to the Joint-Stock Companies Law of the KR.

Parliament passed the bill on February 18, 2016.

The bill introduces new requirements for the time limits for payment of dividends, procedure for termination of membership and number of board members. According to new requirements, board members can be elected by the general meeting of shareholders for a maximum term of 3 years; companies with maximum two voting shareholders can be allowed by the charter to have an even number of board members.

The bill was published in Erkin Too newspaper No. 24 on March 25, 2016 and becomes effective 15 days after its official publication.

3 March 2016

Financial Sector Supervisor proposes amendments to Joint Stock

April 5, 2016

The members of the Parliament could not adopt a decision on sale of the Government share in Caprice vacation hotel and Resource sport facility

The members of the Parliament could not adopt a decision on sale of the Government share in Caprice vacation hotel and Resource sport facility. The Parliament Committee for Economic and Fiscal Policy adjourned examination of this issue.

The Government requested the Parliament to repeal its Resolution on suspension of privatization of certain assets. It is proposed to include into the privatization program 28.34 percent of the Government share in the charter capital of Caprice LLC and 70 percent of the share in Resource sport facility. The assets were nationalized by the decrees of the Provisional Government in 2010. In 2012 the Government proposed to privatize them. Both of the assets were unprofitable and according to the Ministry of Economy it was more advantageous for the Government to sell them than to maintain. However the privatization was suspended because of the local community's indignation. At that time the sale of 49 percent of the shares of the Alfa Telecom was also renounced (later Alfa Telecom was included into the privatization program).

<http://24.kg/>

26 February 2016

Kyrgyzaltyn's nominees, E.Kubatov, N. Kyshtobaev, and B. Sagynov, are recommended for Centerra's Board of Directors

Candidates to the board of directors of a Canadian company, Centerra Gold Inc., nominated by Kyrgyzaltyn OJSC have been recommended. This was reported by the press service of the company.

The application process was announced on January 23, 2016 and was closed on February 2, 2016. The selection process was conducted in two stages: a review of applications and an interview

Companies Law

On March 3, 2016, the State Service for Regulation and Supervision over the Financial Market under the Government of the KR submitted for public discussion the bill on amendments to the Law on Joint-Stock Companies.

The bill provides for introduction of certain provisions as follows: reduction of the number of shareholders from 20 to 10 percent to convoke extraordinary shareholders' meeting; transfer of the right to elect and dismiss external auditor from the board of directors to the general shareholders' meeting; mandatory introduction of independent directors into the board; introduction of prohibition for subsidiary company to acquire shares of the parent company.

According to the explanatory note the bill was prepared in compliance with the Action Plan for Improvement of the Position of the Kyrgyz Republic in the World Bank Doing Business ranking in 2016-2017 (approved by the Prime Minister on January 16, 2016) and is aimed to increase protection of minority investors (shareholders).

<http://www.gov.kg/?p=71777&lang=ru>

26 January 2016

The Government has approved the Development Concept of the Financial Market in the Kyrgyz Republic for the period until 2018

The Government of the KR has adopted the Resolution of the Government No. 33 "On Approval of the Development Concept of the Financial Market in the Kyrgyz Republic for the period until 2018".

The Concept provides for that it is important to create conditions for more issuers to enter the securities market (not only large companies but also medium-sized businesses), to develop financial institutions and types of activity related to professional assistance for issuers to bring securities to the open capital market (IPO,

with applicants.

The selection process was conducted by the Interdepartmental commission consisting of representatives of the Executive Office of the KR Government, Ministry of Economy, Financial Market Regulation and Supervision Authority, State Property Management Fund, and Kyrgyzaltyn OJSC.

Based on the interview results, the Interdepartmental Commission made a decision to recommend Edward Kubatov and Nurlan Kyshtobaev nominated by Kyrgyzaltyn as independent members of the Board of Directors of a Canadian company Centerra Gold Inc. Also, by this decision, Kyrgyzaltyn's Deputy CEO for economics, finance and investment, Bektur Sagynov, was recommended as dependent member of the Board of Directors of Centerra Gold Inc.

<http://kabar.kg/>

2 February 2016

Competitive bidding for 100% stake in Alfa Telecom must be conducted in an open, transparent and fair way, O. Pankratov says

A competitive bidding for 100% stake in Alfa Telecom must be conducted in an open, transparent and fair way. The appropriate instructions were given by Oleg Pankratov, the Deputy Prime Minister of the Kyrgyz Republic, at the meeting of the board of the State Property Management Fund, the press service of the Government reported.

Almazbek Kadyrkulov, the Chairman of the State Property Management Fund, presented the annual performance report 2015.

According to him, at the moment, the Government holds stakes in 64 joint-stock companies, including 20 companies that are deemed to be strategic. In 2015, total proceeds from management and privatization of state property amounted to 3,606.3 million soms. Proceeds from lease of state property amounted to 991 million soms, including

underwriting, etc.) as well as to develop domestic securities market in accordance with the rules and standards applied in developed countries.

The Resolution was published in Erkin Too newspaper No. 9 on February 2, 2016 and has become effective.

21 January 2016

The Ministry of Justice proposes amendments related to the liquidation of legal entities

On January 2016 the Ministry of Justice submitted for public discussion the bill on amendments to certain legislative acts of the KR (to the Civil Code and the Law "On State Registration of Legal Entities, Branches (Representative Offices)").

Amendments are proposed to Articles 97, 98 of the Civil Code and Article 13 of the Law "On State Registration of Legal Entities, Branches (Representative Offices)".

According to the explanatory note amendments are aimed to facilitate liquidation procedure of legal entities, to remove contradictions between laws and regulations, corruptive provisions. The bill also contains drafting amendments.

For the above mentioned purposes it was proposed to determine a three-business day period for notification of the liquidation procedure of a legal entity, inclusion into the notification of the information on the order and period for assertion of claim by creditors and the resolution on liquidation. It was also proposed to determine a seven-business day period for making an entry in the state register that a legal entity is in the process of liquidation and for notification of authorized state bodies about it.

<http://www.gov.kg/?p=70053&lang=ru>

896.4 million soms generated from lease of radio frequencies.

After the report presentation, the Deputy Vice Prime Minister Oleg Pankratov told that the current system of state-owned asset management had proved to be inefficient. He also accentuated the need for finalization of inventorization of all state-owned property and creation of the Single electronic register of state-owned property.

As for a 100% stake in Alfa Telecom mobile operator, Megacom trademark, the official underlined that the bidding must be conducted in an open, transparent and fair way.

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18 January 2016

National Energy Holding to have 5 million soms charter capital

National Energy Holding is expected to have a charter capital of 5 million soms. This was announced in the KR Government Order.

It is noted that National Energy Holding is expected to be wholly owned by the Government and founded by the State Property Management Fund (SPMF). National Energy Holding's charter capital will be equal to 5 million soms divided into 50,000 registered common shares with a par value of 100 soms. By January 20, 2016, Ministry of Finance will allocate funds to SPMF to pay the charter capital of National Energy Holding. Energy Holding will be located in a building at 119 Ahynbaev St., Bishkek, formerly occupied by the now abolished Ministry of Energy and Industry.

In the new structure of the Government, National Energy Holding will replace the Ministry of Energy and Industry and will act as the only operator tasked with managing and promoting the energy sector of the country.

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If you have any comments, please contact Magomed Saaduev at msaaduev@k-a.kg

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