



# CORPORATE ISSUES

## INDUSTRY AND LEGAL UPDATE

**KALIKOVA &**  
ASSOCIATES  
*law firm*

*Information for effective business solutions*

Issue 24, May 2017 (quarterly)

## Industry Update

March 14, 2017

### **Kyrgyzstan to liquidate or reorganize unprofitable state-owned enterprises**

The Government plans to liquidate or reorganize unprofitable state-owned enterprises, Prime Minister Sooronbai Jeenbekov announced.

As instructed by the head of Government, on August 2016 the Office of the Prime Minister jointly with the State Property Management Fund (SPMF) have started work on optimization of number of state-owned enterprises and joint-stock companies. They also developed a draft resolution establishing an online trading platform.

It is planned that state-owned assets will be offered for sale or lease through an online trading platform rather than by the SPMF.

As noted by the Prime Minister, many state-owned enterprises remain to be unprofitable, unable to meet their statutory goals and used in corruption and lobbying arrangements.

By now, it is decided to liquidate 114 and to reorganize 63 state-owned enterprises. In addition, CEOs of state-owned enterprises and joint-stock companies with state participation will undergo a fit and proper assessment. There are a total of 1,130 state-owned enterprises currently registered in the country. Of them, 900 are inoperative, 164 are operating, and 66 are transformed into state-owned institutions.

[www.24.kg](http://www.24.kg)

March 7, 2017

### **Nations expressing interest in bidding**

## Legal Update

May 12, 2017

### **Amendments to Bankruptcy (Insolvency) Law adopted**

The President of the Kyrgyz Republic (KR) A. Atambaev has signed the Law "On amendments to the Bankruptcy (Insolvency) Law".

According to the explanatory note, the Law is drafted with a view to increase chances for keeping an indebted enterprise as a going concern, to improve creditor protection, to simplify bankruptcy procedures, as well as to improve the Doing Business Resolving Insolvency indicator placing the KR on 126th place among 189 countries in the world.

In international practice, bankruptcy procedures aim to increase the chances of the debtor to remain as a going concern to the maximum extent. For this purpose, various procedures of reorganization and rehabilitation of the indebted enterprise are used with active participation of creditors and under control of competent authorities.

In order to achieve the objectives, the Law proposes the following:

- Allowing creditors (individuals) to receive information from the administrator on financial situation of the debtor and progress of bankruptcy procedures. Earlier only the meeting of creditors had the right to request the information, and the individual creditor was not able to appeal claims against the debtor brought by other creditors if they infringed his legitimate interests;
- Allowing individual creditors to appeal court decisions and acts of the administrator in regard to acknowledging the claims of other creditors if such decisions infringe their legitimate interests;
- Allowing annulling contracts that were concluded on conditions that were significantly worse and caused bankruptcy of the debtor. The administrator will have the right to challenge in court the contracts that were executed before the bankruptcy procedure on the conditions that are significantly worse than the market ones and are excessively burdensome for the debtor.

## for Alfa Telecom announced

Bolsunbek Kazakov, the head of the SPMF, announced the nations that expressed interest in bidding for Alfa Telecom company.

As a state-owned company, Alfa Telecom is prevented by law from developing its operations due to a public procurement portal requirement. By adhering to these requirements, the company reveals its plans.

The nations which expressed their interest in bidding are South Korea, Turkey and China.

According to SPMF, the bidding for Alfa Telecom will be held on June 5, 2017. Apart from standard bidding documents, the bidders will be required to provide a bid bond of 10 percent of the starting price which is KGS 1.350 billion. The application deadline is June 2 at 5.00 p.m.

The bidding for Alfa Telecom was cancelled twice due to lack of bids.

[www.24.kg](http://www.24.kg)

---

March 7, 2017

## Alfa Telecom announces reduction in its stock price

Bolsunbek Kazakov, the head of the SPMF, held a press-conference to explain the reasons for reduction in price of a 100 percent stake in Alfa Telecom.

The 100% stake in the company was initially evaluated at KGS 19.7 billion. Since nobody submitted any bid, the starting price was reduced by 25 percent, but again nobody made a bid, and the starting price was reduced again. The revaluation commission was composed of members of Parliament, representatives of the SPMF and ministries, and the Community Oversight Council.

The real price of the company is KGS 13.5 billion. This price will be the starting price at the upcoming auction.

[www.24.kg](http://www.24.kg)

This will allow to increase changes for rehabilitation of the debtor, as well as to prevent cases of deliberate bankruptcy;

- Disallowing the annulment of contracts by suppliers of utilities unilaterally after the beginning of the bankruptcy procedures. This will allow to avoid instances where enterprises that have chances for rehabilitation are forced to cease their activities after the beginning of the bankruptcy procedures due to the cessation of supply of services essential for the activities of the debtor;
- Allowing the debtor or administrator to take loans (credits), when carrying out rehabilitation procedures, for the purpose of financing the current expenses. Such credits will be repaid by creditors on a preferential basis prior to unsecured creditors.

The Law shall enter into force within 15 days after the date of the official publication.

[www.kenesh.kg](http://www.kenesh.kg)

---

May 10, 2017

## The Parliament is considering the draft amendments to the Joint-Stock Companies Law

The draft Law of the Kyrgyz Republic (KR) "On Amendments to the Law of the Kyrgyz Republic "On Joint-Stock Companies" (prepared by the State Service for Regulation and Supervision over the Financial Market under the Government) is being considered by the Parliament.

According to the explanatory note, the bill was prepared in compliance with the Action Plan on Improving Positions of the KR in the Doing Business World Bank ranking in 2016-2017 and aimed to strengthen protection of minority investors' rights. The adoption of these amendments is expected to allow improving the indicator on the protection of minority investors' rights and general position of the KR in the ranking.

The bill provides for the following amendments:

- reduction from 20 percent to 10 percent of the number of shareholders to convene extraordinary general meeting of shareholders;
- transfer of the right to elect and dismiss external auditor from the board of directors to general meeting of shareholders;
- prohibition for subsidiary companies to acquire shares of the parent company;
- mandatory introduction of independent members of the board of directors;
- the provision according to which public companies registering terms of public offering and securities issue prospectus shall have at least 30 percent of independent board members within the whole period of stock trading through public offering;
- the quorum for holding a board meeting shall not be less than a half of the elected board members' number;

· At least half of the total number of independent board members shall be present at the board meeting of a public company.

On May 10 the bill was adopted by the Parliament in the first reading.

Please refer to the Parliament's website to find the information on the bill:

[www.kenesh.kg](http://www.kenesh.kg)

---

April 14, 2017

## **Amendments to the Law "On Securities Market" on the regulation of bonds of international finance organizations proposed**

The State Service for Regulation and Supervision over the Financial Market under the Government of the Kyrgyz Republic (KR) (the State Financial Supervision) submitted for public discussion the draft Law "On Amendments to the Law of the Kyrgyz Republic "On Securities Market".

The bill provides for regulation of issue, circulation and redemption of bonds.

According to the explanatory note the bill was prepared in order to create regulatory framework for issue and circulation of debt securities issued by international financial organizations in the KR. Enabling international organizations to directly issue bonds in national currency is expected to increase access to finance for private sector, periods for repayment of credits in national currency, to remove exchange risks on the balance sheet of legal entities and individuals, etc.

[www.gov.kg](http://www.gov.kg)

---

March 9, 2017

## **The Ministry of Economy proposes to approve the regulation on state and municipal enterprises**

The Ministry of Economy of the KR has submitted a draft resolution of the Government of the KR "On approval of the Regulation on state and municipal enterprises" for public discussion.

According to the draft resolution, it is proposed to approve the following:

- The Regulation on state and municipal enterprises;
- The Regulation on the pool of managers of state enterprises;
- The List of state enterprises, head of which are appointed for the position from the pool of managers;

- The List of state enterprises that spend their net profits earned as of the end of the annual financial and economic activity on the implementation of the strategic plan of development (business plan) in full;
- The Form of the model agreement with the head of the state enterprise.

According to the justification note, the draft document has been prepared for the purpose of proper regulation of the issues of establishing, reorganization, liquidation of state and municipal enterprises, specification of the powers and authorities of governing bodies, specification of property status of state and municipal enterprises.

[www.gov.kg](http://www.gov.kg)

---

February 4, 2017

## **The State Financial Supervision proposes to approve the regulation on Islamic securities**

The State Financial Supervision has submitted for public discussion draft Resolution of the Government of the KR "On approval of the Regulation on issuance, circulation and redemption of Islamic securities issued on the basis of Islamic principles of financing".

The purpose of this draft resolution is to introduce new tools in the financial market of the KR. The main objective is to create legal framework for the introduction of the Islamic securities (sukuk) in the market.

According to the explanatory note, today, financial tools based on attracting investment in accordance with Islamic principles of financing are widely developed worldwide. Introduction of the Islamic principles of financing in Kyrgyzstan is considered as an additional competing system of financing and lending, which is based on moral values. Securities issued based on the Islamic principles of financing provide an opportunity to attract additional investment to the financial markets of the country from Muslims not willing to invest in the banks at interest rates (which violates the Islamic laws), but seeking to earn profits from the investments.

[www.gov.kg](http://www.gov.kg)

---



71 Erkindik Boulevard,  
Bishkek, 720040  
Kyrgyz Republic

Tel.: +996 (312) 666060  
Fax: +996 (312) 662788  
Web: [www.k-a.kg](http://www.k-a.kg)  
Email: [lawyer@k-a.kg](mailto:lawyer@k-a.kg)

The sources of news contained in the Update are websites: [www.24.kg](http://www.24.kg), [www.kenesh.kg](http://www.kenesh.kg), [www.qov.kg](http://www.qov.kg), etc.

If you would like to ensure that you continue to receive this newsletter [subscribe here](#), and make sure to add our email to your address book.

If you do not wish to receive this newsletter [unsubscribe here](#).

If you have any comments, please contact Magomed Saaduev at [msaaduev@k-a.kg](mailto:msaaduev@k-a.kg)

Kalikova & Associates does not bear responsibility for completeness and accuracy of the news contained in the Update. Update materials are for general information purposes only and should not be considered as legal advice. Transmission of information on or by use of this Update is not intended to create, and receipt does not constitute, a lawyer-client relationship between the sender and receiver.

Copyright © 2017 Kalikova & Associates