



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES
law firm

Information for effective business solutions

Issue 21, July 2016 (quarterly)

Industry Update

June 29, 2016

Guarantee Fund OJSC has been created in Kyrgyzstan

Kyrgyzstan (the KR) has established Guarantee Fund OJSC. This was announced by Arzybek Kojoshev, Minister of Economy.

He reminded that the law on the establishment of such funds has been adopted in 2013. Up to the present moment, six regional funds have been operating in the country founded by the local authorities. According to the Minister, the funds have proved effective. The purpose of Guarantee Fund is to provide support to small and medium-sized businesses. According to the Minister, many entrepreneurs want to obtain credit, but they do not have enough collateral. Guarantee funds provide guarantees to entrepreneurs over part of required amount of the loan in case of deficiency of collateral.

Arzybek Kojoshev noted that the authorized capital of Guarantee Fund OJSC would be 72 million KGS; funds have already been allocated from the budget. He also said that the Asian Development Bank would provide approximately USD 3 million to the Fund with the allocation of USD 10 million being negotiated with the Kyrgyz-Russian Foundation.

The Ministry of Economy noted that the established Guarantee Fund OJSC would increase the export potential of entrepreneurs and the country in general, raise funds for the development of the banking system, develop business in regions, increase financial literacy of entrepreneurs, create new and maintain existing jobs.

www.24.kg

Legal Update

July 11, 2016

Amendments to the Law of the Kyrgyz Republic "On Securities Market"

President of Kyrgyzstan (the KR), Almazbek Atambaev signed the Law of KR "On Amendments to the Law of KR "On securities market"

The Law was adopted by Jogorku Kenesh (Parliament) on June 2, 2016.

The Law is aimed at improving legal regulation of relations associated with the issuance and circulation of derivative securities.

The Law made the followings amendments to the Law "On securities market":

- the definition of "derivatives" has been clarified;
- it is determined that the types of derivative instruments, conditions of their issue and reference to their underlying asset requirements, and the requirements for issuers of publicly offered debt securities shall be established by the Government of the KR.

The Law was published in "Erkin Too" newspaper No. 61 on July 12, 2016 and becomes effective 15 days after its official publication.

July 11, 2016

The Law of the KR "On Mortgage Securities" has been signed

President Almazbek Atambaev signed the Law of the KR

June 29, 2016

Ministry of Economy of KR initiates the establishment of the Project Preparation Fund

In autumn of 2016, the Ministry of Economy of the KR is initiating the creation of the Project Preparation Fund. This was announced by the Head of the Ministry, Arzybek Kojoshev.

According to the Minister of Economy, there is a very big problem in this area, because when many entrepreneurs interested in large investment projects in which they can invest, come to the country, it turns out that there are no ready-made projects here. Thus, there is a need in the database of potential investment projects in the KR, and therefore, the Project Preparation Fund is planned to be established.

Arzybek Kojoshev stressed that it would be intrastate rather than interstate projects.

www.24.kg

June 17, 2016

Auction bidding for sale of 100% stake of Alfa Telecom CJSC has been declared void

The auction bidding for the sale of the 100% stake in Alfa Telecom CJSC has been declared failed. Such decision was adopted by interdepartmental commission for conducting the auction on June 16, 2016.

Reporters were informed by the State Property Management Fund that the acceptance of applications for participation in the bidding was completed on June 15. The bidding itself was to be held on June 16. However, no one willing to buy one of the leading mobile operators has been found as of today. In such case, according to the law, the competition shall be declared void.

The further fate of Alfa Telecom CJSC has not been known yet.

The date of the bidding has been already postponed twice. First, because of the date of the bidding falling on weekend and then due to a lack of applications. Alfa Telecom CJSC was included in the privatization program in 2015. According to the Government, the reason for sale of the mobile operator was inability of the state to allocate funds for development of the company. In future, there is a threat of loss of a currently profitable asset. The starting bidding price is set at 19 billion 7 million KGS.

www.24.kg

"On Mortgage Securities".

The Law was adopted by the Jogorku Kenesh (Parliament) on June 2, 2016.

The Law regulates relations arising from the issue and circulation of mortgage securities, as well as the fulfillment of obligations on mortgage-backed securities.

The Law becomes effective 15 days after its official publication.

July 11, 2016

Amendments to the Law of the Kyrgyz Republic "On Bankruptcy"

President Almazbek Atambaev signed the Law "On Amendments to the Law of the Kyrgyz Republic" On bankruptcy (insolvency)." This was reported by the Information Policy Department of the President's Office.

The Law was adopted by the Jogorku Kenesh (Parliament) on June 2, 2016.

The Law is aimed at improving legal regulation of the relations associated with bankruptcy (insolvency), and removal of contradictions in laws governing this area. Among the most significant additions, there are changes and amendments to Article 96 of the Law "On bankruptcy (insolvency)". In particular, it provides that in the absence of guarantee of third parties over the creditors' claims against the debtor, the debtor or creditor has a right to declare by means of publication in the media a competition among legal entities and citizens who want to take over the rehabilitation of a debtor. If within 30 calendar days after the publication, there is no one willing to take over the debtor's rehabilitation, or the debtor or the creditor does not agree with the proposed conditions of rehabilitation, an application shall be sent to the court to declare the debtor bankrupt (insolvent).

Amendments were also made to Article 97 of the Law which regulates the procedure for carrying out rehabilitation. Thus, according to the new wording of Article 97, before the Court's examination of the rehabilitation, the debtor, creditor and guarantor conclude an agreement, which sets out the procedure and conditions of the rehabilitation. At the time of the rehabilitation, the court shall appoint a temporary administrator to comply with the terms of the rehabilitation agreement. Remuneration of the temporary administrator shall be paid at the expense of the debtor.

The Law was published in "Erkin Too" newspaper No. 61 on July 12, 2016 and becomes effective 15 days after its official publication.

June 17, 2016

June 8, 2016

State Property Management Fund has put up 49% of state-owned shares in Air Kyrgyzstan OJSC to investment competition

State Property Management Fund under the Government of the KR has put up 49% of state-owned shares in Air Kyrgyzstan OJSC - 1 million 929 thousand 203 shares to investment competition. This was reported by the press service of the Fund.

According to the tender terms, the buyer shall be obliged to renovate and increase the airline's fleet with modern aircrafts on the following conditions:

- Number of aircrafts - not less than 5 units, which are acquired with the buyer's own funds and are available free of charge;
- Terms of delivery - within 5 years.

Requirements for aircrafts:
- Compliance with airworthiness requirements of the International Civil Aviation Organization (ICAO) and the aviation regulations of the KR, age - less than 20 years;
- The aircraft must meet the commercial objectives of the airline (capacity, flight range).

In addition, buyer should bring in not less than 1 million USD for development and increase of airline's working capital within 12 months from the date of signing the share purchase agreement, as well as to repay accounts payable by Air Kyrgyzstan in an amount of 165 million KGS within 12 months from the date of the share purchase agreement.

The cost of 49% of state-owned shares in Air Kyrgyzstan OJSC is 188 million 889 thousand KGS.

The date of the bidding and summarizing - September 6, 2016.

www.kabar.kg

Financial Sector Supervisor has proposed amendments regarding the issuance and circulation of bonds

On June 17, 2016 the State Service for Regulation and Supervision over the Financial Market under the Government of the KR submitted for public discussion the draft decree of the Government of KR "On amendments and additions to the Decree of the Government of the Kyrgyz Republic "On approval of the bond issue and circulation in the Kyrgyz Republic" dated July 1, 2011 No. 275.

According to the explanatory note, a draft decree is designed to implement the Law "On Amendments to Certain Legislative Acts of the Kyrgyz Republic (the laws of the Kyrgyz Republic "On Business Partnerships and Companies", "On Joint Stock Companies", "On securities market") dated May 20, 2016 No. 68, as well as the Law "On Amendments to the Law of the Kyrgyz Republic "On pledge" dated April 22, 2016 No. 49.

As indicated in the explanatory note to the draft decree, the above-mentioned laws have been amended to allow introduction of additional requirements for the issuers which will reduce risks in the bond issue:

- financial stability requirements (break-even operation);
- reputation requirements (period of existence, continuous activity);
- corporate governance requirements.

This draft proposes to supplement Paragraph 8 of the Regulation on the issue and circulation of bonds in the KR with definition of Corporate Governance Code and Paragraph 37 with a list of additional documents required for registration of the bond issue.

In addition, the draft proposes to supplement the Regulation with Chapter 6, Features of issuance and circulation of secured bonds.

www.gov.kg

May 20, 2016

Amendments to the legislation of the Kyrgyz Republic regarding the regulation of the bond issue

President Almazbek Atambaev signed the Law of the Kyrgyz Republic from May 20, 2016 No. 68 "On Amendments to Certain Legislative Acts of the Kyrgyz Republic (the laws of the Kyrgyz Republic "On Business Partnerships and Companies", "On Joint Stock Companies", "On securities market").

The law has established additional requirements for the business entities when issuing bonds, including use of a

corporate governance code. The mentioned code means an internal document of a company approved by the general meeting of participants, containing a set of principles, rules and procedures aimed at protection of rights and legitimate interests of all participants of corporate relations, and regulating relationship between the bodies of the company, officers and shareholders.

The law was published in "Erkin Too" newspaper No. 44-45 on May 25, 2016 and has become effective.



71 Erkindik Boulevard,
Bishkek, 720040
Kyrgyz Republic

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

The sources of news contained in the Update are websites: www.24.kg, www.gov.kg, www.kabar.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

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 © 2016 Kalikova & Associates