



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA &
ASSOCIATES
law firm

Information for effective business solutions

Issue 18, November 2015 (quarterly)

Industry Update

November 11, 2015

The Bishkek Free Economic Zone is running a fever according to the representatives' information

The Bishkek Free Economic Zone (FEZ) is running a fever. The FEZ representatives informed about it at the Anticorruption Forum of state bodies and businesses and appealed to the Head of the Government to pay attention to their issues.

They pointed out that Temir Sariev is familiar with the FEZ problems and therefore they asked him to solve these problems within a short time. The issue of management appointment that is among the problems has to be resolved in order to allow the organization and business entities continue their business activity without impediments.

Daniar Imanaliev, Deputy Minister of Economy informed that the issue related to the performance of obligations of the head of FEZ had been resolved. The public officer also highlighted that the Ministry met with FEZ representatives many times and it is familiar with existing problems.

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October 20, 2015

15 percent of shares of the Alfa Telecom CJSC will be sold through the Kyrgyz Stock Exchange

Legal Update

October 11, 2015

It was proposed to invalidate the Law of the Kyrgyz Republic #145 "On Firm Names" dated December 23, 1999

On October 16, 2015 the draft Law of the Kyrgyz Republic "On Amendments to Certain Legislative Acts of the Kyrgyz Republic and Invalidation of the Law of the Kyrgyz Republic "On Firm Names" came in the Jogorku Kenesh (Parliament) of the Kyrgyz Republic.

The purpose of the draft is to simplify the registration procedure for firm names in the Kyrgyz Republic. According to the amendments introduced by the draft, the exclusive right of a legal entity to a firm name arises from the date of registration in judicial bodies and terminates from the date of termination of activity of such a legal entity. The adoption of this provision will significantly simplify the registration procedure for firm names in the Kyrgyz Republic because of removing doubling actions when registering firm names with the Kyrgyz Patent (State Service for Intellectual Property and Innovations under the Government of the Kyrgyz Republic).

According to the amendment above the draft prohibits disposal of exclusive right to firm name by alienation or granting of right to use as well as prohibits for legal entities use of a firm name that was registered earlier with the public register.

August 12, 2015

According to the public affairs office of the Government, Valeriy Dihl informed about this decision at the meeting at which the privatization of Alfa Telecom CJSC was discussed (MegaCom trademark).

He told that the Government had made a decision on sale of 15 percent of shares of the Alfa Telecom CJSC at the trading platform of the Kyrgyz Stock Exchange. The decision was made in order to implement events according to the National Strategy for Sustainable Development for 2013-2017 and Program for Transition of the Kyrgyz Republic to Sustainable Development in 2013-2017.

The Vice Prime Minister informed that sale of 15 percent of shares of the Alfa Telecom CJSC will allow the state to capitalize expected future income of the company and attract big investors to participate in the management of one of the largest enterprises in the country.

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October 16, 2015

In October 2015 IFC Project on Corporate Governance in Central Asia held training courses in Bishkek

On October 15-16, 2015 IFC Project on Corporate Governance in Central Asia held training courses on "Management of disputes and negotiations inside of the Board of directors" and "Corporate governance in small and medium-size enterprises". Members of the Boards of directors and executive body, as well as representatives of business community and lawyers took part in training courses. Kalikova & Associates lawyers, Magomed Saaduev, Ruslan Sulaimanov and Meerim Talantbek kyzy, also attended training courses.

The main idea of the training course on "Management of disputes and negotiations inside of the Board of directors" was to help the participants to develop skills of inter-personal settlement of disputes, prevention of conflicts and management of conflict situations. In the framework of the training course "Corporate governance in small and medium-size enterprises" practical tasks have been reviewed and recommendations on introducing corporate governance in small and medium-size enterprises have been provided.

Creation and activity of board of directors in limited liability companies have become possible according to the amendments in the legislation

On June 17, 2015 the Jogorku Kenesh (Parliament) of the Kyrgyz Republic adopted the Law of the Kyrgyz Republic dated July 20, 2015 #180 "On Additions and Amendments to Certain Legislative Acts of the Kyrgyz Republic". The Law was published in the Erkin Too newspaper dated July 28, 2015 #68. According to the Law amendments were introduced into the Civil Code and the Law of the Kyrgyz Republic #60 "On Business Partnerships and Companies" dated November 15, 1996.

Therefore, currently the legislation provides for that charter of limited liability companies can stipulate creation of board of directors. The supreme body of limited liability company as before is general meeting of participants and now board of director can be created according to the resolution of the general meeting of participants.

The order of creation and activity of board of directors, its powers, order of appointment of board members and termination of their powers, powers of the board chairperson shall be established by the legislation and charter of company.

Only individuals are allowed to be a member of board of directors. Every board member shall have one vote. A board member cannot be a member of an executive body (collegial or sole) and audit commission (auditor) at the same time. A board member can be a nonparticipant of a company. Requirements for persons elected to a board of directors can be established by the charter of company or internal document approved by general meeting of participants. Quantitative composition of board of directors shall be odd-numbered, determined by a charter of company or resolution of general meeting of participants and shall not less than 3 and not more than 7.

Members of board of directors shall be elected by general meeting of participants in the order provided for by the Law and charter of company for a period established by the general meeting. If term of office of board members expired and a new composition was not elected board of directors shall perform its duties until new composition of the board of directors is elected.

Upon completion of the training courses all participants received certificates.

September 30, 2015

The State Bank for Development is important in order to implement large infrastructure projects

The State Bank for Development is important in order to implement large infrastructure projects. The Vice Prime Minister Valeriy Dihl spoke about it at the meeting on implementation of the Law of the Kyrgyz Republic "On State Bank for Development of the Kyrgyz Republic".

According to him support of export-oriented production, financing of project that have nationwide and regional significance will be carried out through the bank.

In order for the state bank to begin to work, it is necessary to form its charter capital. Now it is important to explore sources of formation of a charter capital. International Financial Institutions that would be able to provide assistance in creation of the State Development Bank might be interested in this project. Anyway the state needs such a bank and it has to be created in near future.

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August 5, 2015

On August 18 the Ontario Supreme Court will consider the petition of the Kyrgyzaltyn on release of attachment from 6.5 million shares of the Centerra Gold Inc.

According to Bektur Sagynov, Vice Chairman of the Kyrgyzaltyn OJSC, on August 18 the Ontario Supreme Court will consider the petition of the Kyrgyzaltyn on release of attachment from 6.5 million 240 shares belonging to the Kyrgyzaltyn in the Centerra Gold Inc., the cost of which is 20.5 million Canadian dollars.

As he said the Kyrgyz party does not exclude the possibility of compliance with the appeal of Kyrgyzstan.

"Currently 6.5 million shares of Kyrgyzstan have been arrested. It is too many. The Government is

Any changes in the composition of board of directors shall be carried out by election of the total composition of the board if remaining number is less than a half of Board composition. Transfer of voting right by a board member to other board members without limitation shall be prohibited.

According to resolution of general meeting of participants during performance of duties by board members remuneration can be paid to them and/or expenses incurred with regard to performance of their duties can be compensated. Amounts of remuneration and compensation for board members shall be determined by resolution of general meeting of participants.

Charter of company in accordance with the legislation shall determine powers of board of directors of company.

Powers of the Board of Directors shall include as follows: 1) to determine main areas of activity of company; 2) to form and revoke executive body of company (except for establishment and liquidation of company); 3) to control performance of resolutions of general meeting of participants by executive body; 4) to stipulate the amount of remuneration and compensation for sole executive director, members of collegial executive body of company, managing director; 5) to adopt resolutions on participation of company in associations and other formations of commercial organizations; 6) to create branches and representative offices of company; 7) preliminary approval of annual reports and balance sheets and distribution of profits and losses; 8) other issues provided for by charter.

to repay more than 16 million US dollars to Valeriy Belokon. The amount of collateral is too high. We will consider this issue in order to achieve settlement in judicial process”, said Sagynov.

We remind that Belokon sought in court the compensation for the nationalization of the Manas Bank CJSC belonging to him in Kyrgyzstan in 2010.

On October 24, 2014 the Arbitration Court in Paris admitted that there was an illegal expropriation of property in the case and obliged the Government of Kyrgyzstan to repay 16.5 million US dollars to Belokon as a compensation. But the Government did not repay the amount within the time specified (i.e. by October 24, 2014).

After this the Latvian banker applied to the Canadian court with request to oblige the Kyrgyz Government to perform the court decision. The Ontario Supreme Court will judge the conflicting parties.

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