



## CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

**KALIKOVA &**  
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*law firm*

*Information for effective business solutions*

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### Industry Update

December 16, 2016

#### Repeated auction for sale of MegaCom failed to occur

The repeated auction for sale of 100% stake in Alpha Telecom CJSC (MegaCom brand) failed to occur. The State Property Management Fund which conducted the auction received no applications from prospective bidders. The deadline for submission of applications for auction expired on December 16 at 10:00.

As reported by Akchabar financial web-site, the entire public stake in Alpha Telecom was put on sale on September 16 at a price of KGS 14,255,250,000 (USD 208,000,000) discounted by 27.6%.

The previous auction also failed to occur due to absence of applications from prospective owners of the company. The high price (in the context of the global crisis) of the 100% stake in the mobile operator was named as one of the reasons of the auction failure.

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

December 14, 2016

#### Repeal of 33 laws and resolutions to facilitate ease of doing business

In the nearest future, 33 regulatory acts will be repealed in order to facilitate the ease of doing business in Kyrgyzstan. Such decision was adopted on December 13 at the regular session of the Regulatory Reform Council chaired by Prime Minister Sooronbai Jeenbekov.

### Legal Update

December 17, 2016

#### Amendments to Securities Market Act

President of Kyrgyzstan (the KR) signed the Amendments to the Securities Market Act.

The amendments aim to introduce new financial instruments in the financial market of the KR such as Islamic securities (Sukuk):

1. Islamic leasing certificates (Sukuk al-Ijara);
2. Islamic project financing certificates (Sukuk al-Istisna);
3. Islamic equity participation certificates (Sukuk al-Mudaraba);
4. Islamic investment agency certificates (Sukuk al-Wakalah bi al-Istithmar);
5. Islamic partnership certificates (Sukuk al-Musharakah).

The amendments introduces new chapter 61 setting forth the requirements for Islamic securities such as issuance, circulation and cancellation of such securities, and legal form of Islamic financial institutions, etc. Moreover, the amendments introduce new terms and definitions related to new financial instruments.

The Law was adopted by the Parliament Resolution of November 16, 2016 No. 1079-VI and takes effect 15 days after its official publication.

November 29, 2016

As reported by Daniyar Imanaliev, the Deputy Minister of Economy of the KR, the goals identified at the previous session of the Council have been achieved. In particular, there were drafted 16 bills, 1 Presidential edict, 21 Government resolutions. These regulatory acts are at different stages of implementation.

The second package of recommendations comprises 304 regulatory acts. Apart from repealing 33 laws and resolution, 28 documents will be amended, and other 243 will be left unchanged, since their analysis revealed no risks in terms of the ease of doing business.

PM Jeenbekov reminded that since the beginning of the regulatory reform, full inventory survey of all laws was carried out to identify and approve the list of documents requiring amendment.

"This process aims to reduce "unnecessary" and "costly" procedures, to prevent the risk of corrupt practices, to establish clear rules and procedures. Business community was also invited to participate in this process by conducting their own analysis and proposing recommendations. Their opinion is of high importance for us because it is entrepreneurs who deal with all these procedures in real life," the Prime Minister concluded.

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November 4, 2016

## **Repeated auction for sale of Ak-Keme hotel failed to occur**

This was reported by the Ministry of Finance under whose control the hotel was placed.

It is noted that the debt of the previous owner of the hotel is still outstanding. The repeated sale of Ak-Keme was scheduled for November 1 but failed to occur due to absence of applications. The first auction failed to occur for the same reason.

The auction's starting price was KGS 955,850,000. At the repeated auction, the price was discounted by 10%.

According to the judicial department, the court enforcement officers have a document ordering to collect KGS 452,487,000 from Ak-Keme to the Ministry of Finance.

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

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October 4, 2016

## **Government Resolution of November 15, 2016 No. 583 on amendments to Regulation on procedure of registration of rules, prospectus and report on IPO of investment shares of share investment funds**

The proposed amendments aim to remove inconsistencies between the Regulation and the Securities Market Act.

The amendments reduce the period of registration of rules and prospectus of investment funds from 30 to 15 days from the date of submission.

The state body for regulation of securities exchange or its regional department should notify the issuer of refusal of registration stating the reasons and justification for refusal within 5 business days from the date of such decision.

The two-week period of approval of results of IPO of investment shares was reduced to 10 business days.

The Resolution was published in Erkin Too newspaper of November 29, 2016 No. 106 and has become effective.

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November 25, 2016

## **Amendments to Code of Administrative Liability concerning liability for failure to submit information of changes in data of legal entity**

President Almazbek Atambaev signed the Law of the KR on amendments to the Code of Administrative Liability.

The amendments in Article 297 of the Code establish administrative liability for failure to submit information on changes in legal entity's data, which do not entail its re-registration. The violation of Article 297 is punishable by administrative fine of five to ten specified rates, i.e. from 500 to 1000 KGS.

Article 402 of the Code was amended to include administrative fine of 10 specified rates for officers of commercial and non-commercial organization, their branches (representative offices) for engaging in activities without proper registration, re-registration as set forth by the laws of the KR.

The adopted Law also amends Article 513 of the Code to include the powers of justice bodies to file administrative case for violation of Article 297 of the

## The demand for KICB bonds exceeded KGS 5 million over first week of sales

The fourth public offering of bonds of Kyrgyz Investment & Credit Bank CJSC started on September 26 of this year. This was reported by the press service of the bank.

Reportedly, investors demonstrated high demand for bonds with return of 14% per annum by buying out bonds for the amount of more than KGS 5 million. KICB demonstrated the highest volume of sales in the primary market of securities.

"We want to note that KICB is the largest issuer of corporate bonds in Kyrgyzstan with overall volume of the offered bonds reaching KGS 600 million. However, this is not a large sum for KICB with the proportion of bonds in the bank's liabilities being around 2%", the press-service informed.

The previous issues of bonds were sold to a wide range of investors including over 800 individuals and legal entities such as financial institutions and investors from Kyrgyzstan, Italy, Pakistan, Russia, Kazakhstan, South Korea, and major international financial institution such as the European Bank for Reconstruction and Development (EBRD).

The bank's management appreciates the trust from investors and plans to continue the practice of raising capital by issuing securities. KICB aims to mobilize internal resources in the local currency to offer low interest loans to its clients and to encourage the development of the Kyrgyz stock market.

It is worth mentioning that the rate of return on the bonds in Kyrgyzstan is often higher than in the bordering countries. For instance, the rate of return on the bonds in Kazakhstan is 8-11% per annum. This proves that KICB's securities are a profitable instrument for saving capital and receiving additional profit of 14% per annum. It should be noted that the profit gained by the bank's investors is not taxable as they are included in the listing category "Blue Chips" at the Kyrgyz stock exchange.

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

Code.

The Law was published in Erkin Too newspaper of November 25, 2016 No. 106 and has become effective.

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October 28, 2016

## Amendments to Law on Guarantee Funds in Kyrgyz Republic

President Almazbek Atambaev signed the Law of the KR "On Amendments to the Law of the KR "On Guarantee Funds in the KR":

The Law was adopted by the Jogorku Kenesh on September 22, 2016.

The Law was adopted to improve and strengthen the regulatory framework for guarantee funds, and to widen access of entrepreneurs to credit resources. The Law introduced the following amendments:

- (i) scope of liabilities of guarantee fund when issuing guarantees increased from 30% to 50%;
- (ii) sum of guarantee per one client increased from 5% to 10%;
- (iii) 20% limit on participation in charter capital of individuals and legal entities was canceled, which means that percentage of participation is unlimited.

The Law was published in Erkin Too newspaper of October 28, 2016 No. 92 and has become effective.

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October 25, 2016

## Government Resolution of October 14, 2016 No. 554 "On Amendments to Some Decisions of Government of KR"

The amendments aim to regulate the procedure of issuance of corporate bonds and to establish legal requirements for issuance and circulation of secured corporate bonds.

– The Rules of Public Registration of Rights and Encumbrances (Limitations) on Immovable Property and Transactions therewith approved by Resolution of the Government of the KR of February 15, 2011 No. 49, are amended to regulate the procedure of registration of pledge while issuing bonds secured by pledge.

– The Regulation on Issuance and Circulation of Bonds in the KR, approved by the Resolution of the Government of the KR of June 1, 2011 No. 272, is amended in respect of procedure of issuance and circulation of secured bonds, registration of issuance

of secured bonds, definition of code of corporate governance and other issues.

The Resolution was published in Erkin Too newspaper of October 25, 2016 No. 91 and has become effective.

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