



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA &
ASSOCIATES
law firm

Information for effective business solutions

Issue 7, September 2012 (quarterly)

Industry Update

21 September 2012

Aman Tentiev steps down from his position as the General Director of Electric Stations CJSC

Today, September 21, the Board of Directors of Electric Stations OJSC accepted the General Director Aman Tentiev's resignation due to a new job, the press service of this company reported. Aman Tentiev took up this appointment in February 2011.

20 September 2012

Over a week, the value of Kyrgyzstan's stake in Centerra Gold Inc. increased by \$312 ml.

Over the past week, the price of the shares in Centerra Gold Inc. increased by \$ 4: from \$ 8.25 to \$ 12.28. As a result, from 13 to 20 September, the value of Kyrgyzstan's stake in the company increased from \$ 638 ml. to \$ 950 ml. These data were provided by Kumtor Operating Company CJSC upon completion of the trading at the Toronto stock exchange (Canada).

This is the highest price since the parliamentary hearings on the situation at Kumtor mine in June, when Kyrgyzstan's stake in Centerra Gold Inc., over two days, decreased by \$333 ml. with the share price dropping from \$ 12 to \$ 8.47.

Canadian Centerra Gold Inc. is the owner of Kumtor Operating Company CJSC which develops the deposit in the Issyk-Kul region. Kyrgyzstan, represented by Kyrgyzaltyn OJSC,

Legal Update

17 September 2012

Ministry of Justice proposes amendments to FEZ law and Tax Code

The ministry of justice has developed a draft of the KR Law «On Amendments to Some Legal Acts of the KR». This draft law proposes amendments to the Law «On Free Economic Zones in the KR» and the Tax Code of the KR.

Assuming that a single-window principle does not currently apply to FEZ entities, it is proposed in the draft law to establish uniform guidelines for registration of legal entities in the KR territory and to facilitate registration of entities located in the FEZ territory.

It is also proposed to make relevant amendments to the Tax Code, specifically, to amend Article 373 of the Tax Code to include a provision stating that the legal entities and their branches or representative offices properly registered or re-registered with the FEZ General Directorate should be regarded as the legal entities registered or re-registered by the single registration authority.

In the opinion of the Ministry of Justice, the definition of the single registration authority will allow achieving the following:

- information about all legal entities will be accumulated in one public authority thus allowing individuals and legal entities to promptly receive necessary information from one public authority and to create a single electronic database;

- consolidation, summarization, and collection by one public authority of the information currently kept and maintained by different public

is the holder of the biggest stake – 77,401,766 shares or about 33%. Centerra Gold Inc.'s shares are listed on the Toronto Stock Exchange (TSX) under the symbol CG. The company is based in Toronto, Canada.

11 September 2012

SPF approves the Nominating Committee for Selection of Kyrgyzstan-appointed Director of Centerra Gold Inc. Board of Directors

Tazabek – The State Property Fund approved the members of the Nominating Committee for selection of candidates for the board of the directors of Centerra Gold Inc. The respective order was signed on September 5 by the SPF director Aibek Osmonaliev.

Press service reminded that August 17, 2012 was the last for receiving applications for the position of the Centerra's board of directors member nominated by the Kyrgyz side (Kyrgyzaltyn OJSC). There are 86 applications registered since the date of announcement of a public competition.

As announced on 17 July 2012, the competition will be held for 3 seats on the board of directors, one of whom must be proficient in finance and economics, another - in law and corporate governance and the third – in mining industry and environmental compliance.

Currently, the processing of submitted applications is being completed and the preparation is going on for the first meeting of the committee which scheduled for October 1.

3 September 2012

Kyrgyz Alfa Telecom CJSC announces another changes in its management team

In Kyrgyzstan, Alfa Telecom (brand name: MegaCom) announces another changes in its management team, the State Property Fund reports.

On 3 September 2012, Azat Bazarkulov was appointed as the acting General Director of Alfa Telecom.

The former acting General Director, Azamat Urbaev, stepped down from his position by

authorities will help increase efficiency of its use;

- the number of employees involved in the process of registration of legal entities will decrease;

- a single public authority responsible for registration of legal entities will be formed.

The Ministry of Justice notes that the analysis of the current national and international law shows that the provisions of the proposed draft law do not contradict the current legal and regulatory acts.

1 August 2012

National Bank approves regulation on reorganization and liquidation of Financial Credit Union Company

Tazabek – The management board of the KR National Bank approves the Regulation «On Licensing, Reorganization and Liquidation of Specialized Finance Credit Institution «Financial Credit Union Company». A respective resolution of July 25, 2012 was signed by the NBKR Chairperson Zina Asankozhoevna.

This resolution will take effect upon expiration of fifteen days from the date of official publication.

Control over fulfillment of this resolution is imposed on the NBKR vice-chairman Zair Chokoev.

1 August 2012

Kyrgyz Prime Minister signed Decree of August 1, 2012 N 527 "On Draft Law on "On Amendment to Law on Banks and Banking in the Kyrgyz Republic".

The purpose of the draft law "On Amendments to Law on Banks and Banking in the Kyrgyz Republic" (draft law) is to increase safety and sustainability of the republic's banking system.

It is for the first time that the Law of the Kyrgyz Republic "On Banks and Banking in the Kyrgyz Republic" (Law) introduces the definition of "threshold ownership interest", expressed in the individual or joint direct or indirect possession

giving a notice of resignation.

We remind that previously the company was headed by Azamat Murzaliev who is currently under prosecution in connection with the criminal case related to illegal withdrawal of millions of funds from the mobile operator.

28 August 2012

Deloitte & Touche to complete the due diligence of Kyrgyzgas in September

Deloitte & Touche audit company (Moscow, Russia) is in the process of completing the due diligence of Kyrgyzgas OJSC, its General Director reported today, August 28. According to him, the due diligence will be finalized by September 15.

We remind that Russia's Gasprom OJSC announced interest in acquiring a 75% stake in Kyrgyzgas OJSC and investing \$500 ml. into its reconstruction.

17 August 2012

Kyrgyz Stock Exchange to hold stock market leader competition

On August 17, Kyrgyz Stock Exchange CJSC announced the annual stock market leader competition.

The purpose of the competition is to promote stock market, identify key market stakeholders based on financial performance results, appraise current corporate governance system, as well as attractiveness and liquidity of securities of the competition participants.

17 August 2012

A. Ergashev to replace former Finance Credit Bank's Board of Directors member S. Karpovich

Tazabek – Anvarzhan Ergashev is appointed to take the place of the outgoing member of Finance Credit Bank's Board of Directors, Stanislav Karpovich.

The members of the Board of Directors are: Cholpon Davletova - Chairperson, Mohammad

or control of one or more percent of outstanding voting shares (of any type) in a joint stock company, one or more percent of the share capital of a legal entity other than a joint stock company.

This provision will enable the National Bank to efficiently track changes in the bank shareholders, to receive information about the new bank shareholders and to require the obtaining of the National Bank's permit by the person intending to become the owner of the threshold ownership interest. The draft law also provides that the acquisition by any person of the threshold ownership interest, major ownership interest or control over bank without prior written consent of National Bank will be deemed invalid and subject to annulment in the manner prescribed by law.

To protect the national interests and to prevent any illegal use of Kyrgyz banks, the draft law requires shareholders (participants) of resident banks must not be individuals or legal entities affiliated in any way with:

1) offshore zones;

2) states which do not apply recommendations of international organizations regarding the development and introduction of international anti-money laundering and counter-terrorism financing standards and do not participate in international cooperation in the area of AML/CTF;

3) states, in respect of which the international organizations' decisions (resolutions) are adopted, to which the Kyrgyz Republic has acceded, on application of recommendations and/or sanctions imposing bans and/or limitations on cooperation with individuals or legal entities from these states and on invalidation of transactions associated with the acquisition by these legal entities or individuals of shares in Kyrgyz banks.

For these purposes, banks are not allowed to cooperate with the persons registered and/or operating in the territory of offshore zones and states specified in paragraphs 2)-3) above, specifically, they are prohibited from:

- establishing and/or acquiring a subsidiary or affiliate, if it:

- is registered and/or operating in the offshore zones and states specified in paragraphs 2)-3) above;

- has other founders (participants) which are registered and/or operating in the territory of offshore zones and states specified

Gafari, Yasser Shushtari, Marat Mambetaliev, Anvarzhan Ergashev

9 August 2012

State Property Fund offered 64 major foreign investors to acquire 75 % stake in Kyrgyz Mobile Company

The State Property Fund invited 64 major foreign companies to participate in the auction for sale of a 75% stake in Kyrgyz Mobile Company.

It is known that 64 potential investors are major foreign companies engaged in telecommunications, banking and construction in UK, China, Kazakhstan, Lebanon, Russia, South Korea, Sweden, India, Denmark, Turkey.

3 August 2012

Government to launch Kyrgyzaltyn IPO

The Kyrgyz Government is preparing to launch the first Kyrgyzaltyn IPO at the international stock exchange, the minister of economy and antimonopoly policy Temir Sariev reported. The minister also added that it is supposed to be the Hong Kong stock exchange.

1 August 2012

Alfa Telecom declares government dividends of 541 ml. KGS

Alfa Telecom (brand name MegaCom) general shareholders meeting resolved on July 27, 2012 to use 50% of undistributed profit for 2011 to pay dividends.

49% of the total amount of declared dividends of 541.3 ml. KGS will be remitted to the national budget. 51% of the total amount of declared dividends will be held in the company's account until the legal owners of a 51% stake are established by the Kyrgyz judicial authorities.

Today, the Kyrgyz Republic represented by the State Property Fund is the holder of a 49% stake in the company.

in paragraphs 2)-3) above;

- establishing branches and representative offices in the territory of offshore zones and states specified in paragraphs 2)-3) above;

- establishing in the territory of the Kyrgyz Republic of branches and representative offices of foreign banks registered in offshore zones and states specified in paragraphs 2)-3) above.

The banks are prohibited from making any operations or transactions with the persons associated with offshore zones and persons acting under the power of attorney in their favor.

The draft law requires, in accordance with generally accepted world practice, that founders (shareholders) should contribute funds to the share capital of the bank only in a non-cash form. Non-cash capital contributions of bank founders (shareholders) will allow the National Bank to track the chain of capital inflow to the account used to form the bank's share capital and subsequently to increase it.

The amendments also envisage greater responsibility of the bank's Board of Directors and Management Board in all areas of banking practice. For the purposes of risks reduction, it is required that the Board of Directors and the Management Board of the bank should include Kyrgyz citizens.

27 July 2012

State Property Fund forms personnel reserve to appoint replacements in the governing bodies of the companies with government stake

Kyrgyz Prime Minister signed Resolution of 20 July 2012 № 513 on measures to increase efficiency of management in business entities with government stake.

By this document, the State Property Fund is instructed to conduct public competition for selection of candidates for positions in the governing bodies of state enterprises and to form a personnel reserve.

After the competition is over, the general meetings will be initiated to elect (re-elect) the governing bodies consisting of the candidates nominated from among the personnel reserve.

The same resolution establishes the commission for formation of the personnel

30 July 2012

Russia to receive 100% stake in the Kambarata HPP-1 before investment pays back

Authorities of Kyrgyzstan and Russia agreed on conditions of construction of the Kambarata HPP-1. According to Kommersant data, each of Russia and Kyrgyzstan will receive a 50% stake in the future plant to be built with Russian money. However, after the HPP construction is over, Kyrgyzstan's stake will be transferred into the trust to Russian companies Inter Rao UES and RusHydro, which will build the hydropower plant.

«Then, of course, this stake will be returned to the Kyrgyz side. The payback period will depend on the electricity tariffs and guaranteed stable procurement», according to anonymous official in the Russian government cited by the news agency.

The hydropower plant will be operated by Kambarata HPP-1 Kyrgyz Russian company. The board of directors will include three Russian representatives and two Kyrgyz representatives.

To guarantee Bishkek's rights, the HPP-related agreement will require that the feasibility study and design documentation be approved by all members of the board of directors. If one of them disagrees, these documents will not be approved.

Reorganization, liquidation, credit policy, property alienation, transfer of property as collateral or into trust to a third party, approval of the general budget for construction and operation of the plant will be subject to unanimous consent of the general meeting of shareholders of the managing company. The company's shares will be equally distributed between Russian Inter Rao UES and Kyrgyz Electric Stations company.

30 July 2012

Bakai Bank shareholders re-elect external auditor for 2012

Tazabek – Bakai Bank shareholders re-elected the external auditor for 2012 at the extraordinary general meeting of shareholders on 25 July 2012, the press service of the Kyrgyz Stock Exchange reported. I. Jacobs Audit company is elected as the bank's external

reserve headed by the directors of the State Property Fund consisting of representatives from public authorities, civil society, business community and experts.

The members of the Board of Directors must meet the following qualification requirements:

- be proficient in legal framework necessary for specialist's practice in national economy, marketing theory, banking law, management basics, financial audit and strategic planning;
- be proficient in Kyrgyz Civil Law, Joint Stock Companies Law, Business Partnerships and Companies Law, Bankruptcy (Insolvency) Law, and other legal and regulatory acts defining guidelines for economic development of respective sector of economy;
- have not less than 5 years of experience and service as a head of an enterprise, institution or structural subdivision thereof or an executive public official;
- hold degree in higher legal, financial-economic or technical education;
- be not younger than 30 years of age.

Members of the audit committee must meet the following qualification requirements:

- be proficient in economy, production management, business law, Kyrgyz Civil and Tax Codes, Joint Stock Companies Law, Business Partnerships and Companies Law, Bankruptcy (Insolvency) Law, Public Procurement Law, international financial reporting standards (IFRS) and other accounting regulations;
- have not less than 3 years of experience in finance and economy or audit;
- be proficient in economic analysis;
- be proficient in negotiating and signing business contracts;
- hold degrees in higher financial and economic or legal education.

The following persons are not eligible to participate in the competition for vacant position: a person having an unremoved or unexpunged conviction; a relative or affiliate of the managing company or competing company; a major counteragent of the joint stock company.

auditor for 2012.

30 July 2012

ZUM acquires a stake in Premier Invest LLC

On Friday, July 27, ZUM Aichurek acquired a 40% stake in Premier Invest LLC's share capital. This information is published on the website of the Kyrgyz Stock Exchange.

Previously, in April, ZUM Aichurek shareholders meeting discussed the sale of a 25% stake in Premier Invest LLC.

27 July 2012

Prime Minister Omurbek Babanov opened trading on the London Stock Exchange

Today, July 27, Kyrgyz Prime Minister opened trading on the London Stock Exchange, where he met with its director Alexander Justhem. Alexander Justhem noted that the London Stock Exchange is always glad to greet the new companies from Kyrgyzstan. According to him, today the companies listed on the stock exchange represent 50 countries of the world, including Kyrgyzstan. The stock exchange is the most multinational trading floor representing 50% of international stock trading, and one of the oldest and biggest stock exchanges in the world: it was established in 1801.

26 July 2012

Corporate Governance School for senior executives

In Kyrgyzstan, Corporate Governance School will be started to train 60 specialists to take up posts as members of the boards of directors or audit committees or as senior executives.

The project is supported by CIPE (Center for International Private Enterprise) and will last one year. Presumably, the training will start this September. Over a 6-month period, three 2-month training sessions will be conducted: one for 20 members of the boards of directors, another for 20 members of the audit committees, and the third for 20 senior executives. Upon completion of the training, the participants will be required to pass a

certification exam.



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.tazabek.kg, www.knews.kg, www.gov.kg, www.fsa.kg,
www.24.kg, www.kse.kg, www.akipress.kg

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 Ruslan Sulaimanov at rsulaimanov@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 © 2012 Kalikova & Associates