



# CORPORATE ISSUES

## INDUSTRY AND LEGAL UPDATE

**KALIKOVA &**  
**ASSOCIATES**  
*law firm*

*Information for effective business solutions*

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## Industry Update

July 11, 2018

### **In Kyrgyzstan, National Statistical Committee reports investments increase due to internal sources**

In Kyrgyzstan, the volume of investments in fixed assets for the first half of this year amounted to 45 billion 998 million soms and increased by 4.7% compared to the same period of the previous year.

The National Statistical Committee reported that the growth in investment was recorded in the construction of facilities, as well as in most economic activities, except for energy sector facilities, hotels and restaurants, information and communication, as well as art, entertainment and recreation. At the same time, it is noted that the volume of investments financed from internal sources increased by 11%, due to external investments, it decreased by 11.6%.

"In the first half of the year, the bulk (82%) of investments was directed to the construction of facilities for the extraction of minerals, processing industries, supply and energy, transportation and transport construction," the ministry said.

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

June 29, 2018

### **Government proposes moratorium on entrepreneur inspections**

A moratorium on verification is proposed by the Government of Kyrgyzstan. Minister of Economy Oleg Pankratov spoke at the meeting of the Council for Business and Investment Development.

The government has developed the program "Unity. Confidence. Creation." One of its goals is to improve the

## Legal Update

June 26, 2018

### **Toraga Dastanbek Dzhumabekov held meeting of Council for Business and Entrepreneurship Development**

On the agenda of the next meeting of the Business Development and Business Development Council under the Toraga of the Jogorku Kenesh of the Kyrgyz Republic, a number of issues were considered, including: improving the practices of applying regulatory impact analysis (RIA) in the Jogorku Kenesh (JK) of the Kyrgyz Republic and the problems of developing deep processing of precious metals and developing jewelry production.

The event was attended by deputies of the Jogorku Kenesh, heads of ministries and departments, representatives of business associations.

When discussing the results of the analysis of the application of RIA practice in the JK KR, participants noted that the current practice of placing bills on open information resources is aimed at informing the public but does not involve an invitation to participate in the implementation of RIA at the legislative initiative stage. This situation does not always allow stakeholders to participate fully in the regulatory drafting process, all subsequent attempts to involve representatives of the business environment are reduced to the need for clarification of positions, return at the time of problem identification, that is, to the first stage envisaged by the RIA methodology.

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

April 10, 2018

### **Bilateral agreement on mutual encouragement and protection of investments signed between Kyrgyz Republic and Turkey**

licensing and permitting system.

"The main novelty is that entrepreneurs will be able to obtain the appropriate license through the Internet. In addition, we delegate our authority to verify the legality of the obtained license of a private organization," Oleg Pankratov said.

In connection with a large number of complaints about the procedures for inspecting business entities, it was decided to declare a three-year moratorium.

"Along with this, we will focus on reducing the punitive functions of state bodies so that they can establish a truly partnership with the business community. Soon we will have a system of electronic invoices, which will allow to track the movement of goods online," Oleg Pankratov said.

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

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June 28, 2018

## **International investors are more protected than local investors**

International investors are more protected than local investors. The Minister of Economy of the Kyrgyz Republic Oleg Pankratov stated this at a meeting of the Council for Business Development and Investment.

According to him, the outflow of investments from Kyrgyzstan is 42 percent of their total volume.

"Business does not stay with us. This indicates that something discourages it. International investors are more protected because they can resort to international arbitration. But to protect the local business, we need to take action," the minister said.

According to the Statistical Committee, foreign direct investment by the end of 2017 amounted to \$ 616 million 793 thousand.

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June 28, 2018

## **Government: Kyrgyzstan must enter into top 50 business-friendly countries**

The government plans to include Kyrgyzstan in 50 business-friendly countries. Prime Minister Muhammadkalyi Abylgaziev said this at a meeting of the Council for Business Development and Investment. In accordance with the government program "Unity. Confidence. Creation", by 2022 the share of small and medium business in the country's economy should reach at least 50 percent.

"As you know, in developed countries, small and medium-sized businesses constitute a significant part of the economy. It reacts very flexibly to different economic situations and can take operative measures to reduce the

Within the framework of the official visit of the President of Kyrgyzstan Sooronbai Jeenbekov to Turkey, on April 10, 2018, the Minister of Economy of the Kyrgyz Republic Artem Novikov and the Minister of Economy of the Republic of Turkey, Nihat Zeybekchy, signed a bilateral Agreement on mutual encouragement and protection of investments between the Kyrgyz Republic and Turkey.

The main goal of the Agreement is to promote the strengthening of economic cooperation between countries, the creation of a regulatory legal framework for attracting direct investment, the provision of a stable, fair and equitable treatment of investments, facilitating the inflow of capital and technology, and the economic development of the contracting parties.

This Agreement replaces the current Agreement on mutual promotion and protection of investments dated April 29, 1992 and is aimed at harmonizing with standards of bilateral agreements of a new generation, including compliance with environmental standards, ensuring working conditions, as well as maintaining a balanced responsibility between the state and the investor.

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April 4, 2018

## **Amendments to Public Procurement Act signed into law**

President of the Kyrgyz Republic Sooronbai Jeenbekov signed the Amendments to Public Procurement Act of the Kyrgyz Republic.

The amendments were enacted to reduce the level of corruption among officials involved in the public procurement process.

Pursuant to the Public Procurement Act, in order to establish affiliation by the criteria of participation in the authorized capital, it is now necessary to hold 20 percent or more of the total number of shares for any person with respect to a legal entity. Accordingly, for this reason, persons holding less than 20 percent of shares are not considered affiliated and are not subject to restrictions provided by law.

In this regard, the Public Procurement Act was amended to exclude the provision stating that 20 percent or more of shares of a joint-stock company is required to establish affiliation.

After the entry into force of this Act, persons holding political public offices, political municipal offices, special public offices and their close relatives who are founders and (or) members of the supplier or contractor, irrespective of shareholding, will be regarded as affiliated persons.

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## **Amendments to Securities Market Act**

On April 13, 2018, amendments were made to the

impact of the crisis, "the head of the Government said.

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June 28, 2018

## Opening of digital stock exchange is planned in Bishkek

In Bishkek, the Central Asian Forum "Innovative Blockchain Technology for Promoting Digital Development in the Kyrgyz Republic" was held.

Yue He Fu, the Chairman of the Board of Directors of Central Asia International Digital Stock Exchange said at the forum that the blockchain is an important infrastructure of the "Internet with added value" and leads to a new world of changes in technology and industry, where it becomes a "source of policy" for technology and innovation.

"Central Asia International uses blockchain technology to share the chain concept, create the chain economy and network spaces that are compatible and shared in the KR and even in Central Asia," said Yue He Fu.

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June 7, 2018

## Air Kyrgyzstan is profitable enterprise and is included in privatization program

Air Kyrgyzstan informs that the pre-bankruptcy situation in the airline was formed in 2010, when the founder of the enterprise, Kyrgyzalyn state concern, demanded to pay out 68 million soms invested in development. At that time, the company owned aircrafts An-24 (2 units), Tu-134 (1 unit), Tu-154 (1 unit) and Boeing 737-200 (1 unit).

With the assistance of the Kyrgyz government, it was possible to extend the terms of payments, and over two years, that is until 2012, the amount was paid in full. At the same time, during the same period, it was possible to obtain a Boeing aircraft for leasing.

The difficulties in the company began after the increase in the parity frequencies between Russia and Kyrgyzstan, when Russian airlines began dumping tariffs below the cost in order to squeeze out Kyrgyz companies from the market.

There are parties interested in acquiring a block of shares, with accounts payable of 251 million soms, the assets of the enterprise amounting to 595 million soms.

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

April 26, 2018

## ADB recommends accelerating reform to improve business climate in Kyrgyz

Securities Market Act of July 24, 2009 No. 251.

Among the main changes made to the act, there can be noted the following:

1) The term "qualified investor" is introduced, which refers to a professional participant in the securities market, a natural or legal person is a non-resident of the Kyrgyz Republic, as well as an institutional or individual investor whose one-time amount of money transferred to a professional securities market participant in the Kyrgyz Republic, is determined by the Government of the Kyrgyz Republic. The specifics of the offering and circulation of securities intended only for qualified investors are determined by the Government of the Kyrgyz Republic;

2) A new article 35-1 has been introduced, which regulates the order of issuance of bonds. In particular, it is stipulated that the issuer has the right to issue bonds only if, as of the date of submission to the authorized state body for regulation of the securities market of documents for the state registration of the bond offering, there are no cases of untimely performance or failure to fulfill the terms of the securities offering (with the exception of shares) which were in circulation during the last 3 years (including obligations to pay interest or redemption price of securities), as well as delisting of securities (for except for shares and voluntary delisting of bonds in case of consent of bondholders) that have been in circulation during the last 3 years. In addition, during the bond circulation period established by the bond offering prospectus, the issuer must observe the following conditions:

- do not alienate the property included in the assets of the issuer in an amount exceeding 25 percent of the total value of the issuer's assets at the date of disposal, with the exception of bonds intended exclusively for qualified investors;
- not to allow non-fulfillment of obligations not related to the offering of the issuer's bonds by more than 10 percent of the total value of this issuer's assets on the date of state registration of the bond offering, except for bonds intended exclusively for qualified investors;

3) do not introduce changes into the issuer's constituent documents that provide for the change of the main types of the issuer's activities;

4) not to change the organizational and legal form.

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March 23, 2018

## Amendments to Corporate Governance Code

In accordance with the resolution of the Executive Board of the State Service for Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic dated March 23, 2018 No. 8, the Corporate Governance Code of the Kyrgyz Republic was amended.

The amendments say that in public companies that registered the terms of the public offer and the prospectus of securities, during the entire period of circulation of securities issued through public offer, at least 30 percent of

## Republic

Kyrgyzstan should diversify the economy and find new sources of income, because now the main revenues to the budget are money transfers from migrants and gold exports, the ADB report says.

It was noted that the key obstacle to further development was the country's lack of advanced business facilities. ADB recommends accelerating the reform to improve the business climate by solving problems with contract execution, ensuring reliable electricity supply, resolving insolvency cases and paying taxes.

ADB recommends Kyrgyzstan to improve the management of public investments, encourage private investors to fill gaps in supply of infrastructure services in the energy and other sectors.

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

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the board should be independent members of the board of directors. At the same time, an independent member of the Board of Directors is a member of the Board of Directors who is not an affiliated person of this joint-stock company and has not been such for three years preceding his election to the Board of Directors (with the exception of his serving as an independent director of this joint-stock company); is not an affiliated person in relation to affiliated persons of this joint-stock company; is not bound by subordination to officials of this joint-stock company or affiliated entities of this joint-stock company and was not bound by subordination to these persons during three years preceding his election to the board of directors; is not a civil servant; is not a representative of the shareholder at the meetings of the bodies of this joint-stock company and did not represent him during three years preceding his election to the board of directors; does not participate in the audit of this joint-stock company as an auditor working in the auditing organization and did not participate in such audit for three years preceding his election to the board of directors.

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

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