



**VERITAS LAW AGENCY
LIMITED LIABILITY COMPANY**

**DOING BUSINESS IN
KYRGYZSTAN**

Doing Business in Kyrgyzstan

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1. About Kyrgyzstan

1.1 Geography and climate

Official name– the Kyrgyz Republic.

The Kyrgyz Republic is located in the east of the Central Asia, mainly within the western and central part of Tien-Shan and northern part of Pamir Mountains. It occupies 199 thous. sq. km.

The Kyrgyz Republic is a mountain country, 94.2% of its territory is 1,000 m. above the sea level.

In the north, the Kyrgyz Republic has boundaries with Kazakhstan, in the west – with Uzbekistan, in the south-west– with Tajikistan, in the south-east – with China.

The climate is diverse – from extremely continental to almost marine. Air temperature changes from -40°C in winter to +40°C in summer.

Sub-political divisions. The Kyrgyz Republic is a unitary republic that consists of seven oblasts (Chui, Issyk-Kul, Talas, Naryn, Jalal-Abad, Osh and Batken oblasts) and two cities of national significance (Bishkek and Osh). The capital of the Kyrgyz Republic is the city of Bishkek.

1.2 Population and language

The population of the Kyrgyz Republic constitutes 5.663 mln. people (January 2014). The Kyrgyz Republic is a multi-national state. The main part of its population consists of Kyrgyz people. In addition, the territory of the Kyrgyz Republic is also populated with Uzbeks, Russians, Dungans, Uygurs, Tajiks, Turks and Kazakhs.

The state language of the Kyrgyz Republic is Kyrgyz. Russian is used in the Kyrgyz Republic as official language. The Kyrgyz Republic guarantees the right to preserve native language, create conditions for its learning and development to the members of all ethnic groups that comprise the people of Kyrgyzstan.

1.3 Religion

In accordance with the Constitution of the Kyrgyz Republic, no religion may be established as a state or mandatory religion in the Kyrgyz Republic. Religion and all cults are separate from the state. The interference of religious associations and priests into the activities of state authorities is prohibited.

The majority of believers in the Kyrgyz Republic are Muslim (82.7%), those who profess Christianity (Orthodox, Catholics and Lutherans) constitute 16%.

1.4. Political system

The Kyrgyz Republic is a sovereign, democratic, law-governed, secular, unitary, social state.

Until 2010 it has the presidential form of governance. After the Constitution of June 27, 2010 has been adopted, the Kyrgyz Republic became a parliamentary republic.

The form of government in the Kyrgyz Republic includes the following:

1. the President of the Kyrgyz Republic
2. Legislative authority (the Jogorku Kenesh (parliament) of the Kyrgyz Republic)
3. Executive authority (the Government of the Kyrgyz Republic)
4. Judicial authority

The President is a head of the state. The President is elected for 6 years by the citizens of the Kyrgyz Republic, the same person cannot be elected to this position twice. Currently, the President of the Kyrgyz Republic is Almazbek Atambaev.

The Jogorku Kenesh being the parliament of the Kyrgyz Republic is a supreme representative body that exercises legislative power and control functions within its competence. The Jogorku Kenesh consists of 120 deputies, elected for 5 years based on proportional system. Political parties have a right to make the lists of candidates for the Jogorku Kenesh. The parliament of the Kyrgyz Republic has priority in making important state decisions.

The executive power in the Kyrgyz Republic is exercised by the Government, its subordinate ministries, state committees, administrative agencies and local state administrations. The Government is a supreme executive power body in the Kyrgyz Republic. The Government is headed by the Prime-Minister.

In the Kyrgyz Republic the law is exercised by court only. The judicial system in the Kyrgyz Republic is established by the Constitution and laws, it consists of the Supreme court and local courts. The constitutional chamber operates as a part of the Supreme Court. Judicial power is exercised through constitutional, civil, criminal, administrative and other forms of legal proceedings.

1.5 Currency

A monetary unit of the Kyrgyz Republic is Kyrgyz Som.

2. Legal System

2.1 Legislation

The regulations framework of the Kyrgyz Republic consists of the Constitution of the Kyrgyz Republic that has a supreme legal force and direct effect in the Kyrgyz Republic, as well as constitutional statutes, codes, laws, Presidential orders, decrees of the Jogorku Kenesh of the Kyrgyz Republic, orders of the Government of the Kyrgyz Republic, regulations of the National Bank, regulations of state authorities, competent to issue regulations, in accordance with the deeds on the delegation of rule-making powers, regulations of representative local governments.

International agreements and treaties that have come into force as established by the law, to which the Kyrgyz Republic is a signatory, as well as common principles and international law principles, are also a part of the legal system of the Kyrgyz Republic.

2.2 Courts

The judicial system of the Kyrgyz Republic consists of the Supreme Court of the Kyrgyz Republic and local courts.

Local courts system consists of:

1) the first instance courts (rayon courts, rayon courts in cities, city courts, inter-rayon courts, military courts of garrisons);

2) the second instance courts (oblast courts, Bishkek city court, Military court of the Kyrgyz Republic).

The judges of the first instance courts consider cases solely.

Court judgment made by the first instance court may be contested in the second instance court within 30 days after such judgment has been made in its final form – by virtue of appeal procedure or within six months from the date when judicial act comes into legal force– by virtue of cassation procedure.

For the purposes of considering criminal, civil, administrative, economic and other cases in the second instance court, the relevant judicial boards are established. The cases in judicial boards of second instance court are considered by judicial boards consisting of three judges.

Judicial acts of the second instance court may also be contested by virtue of supervisory procedure in the Supreme Court of the Kyrgyz Republic within one year from the date when judicial act has come into legal force.

The Supreme Court is a supreme judicial body for civil, criminal, administrative and other cases. The constitutional board operates as a part of the Supreme Court.

The orders of judicial instances of the Supreme Court on the cases, considered by virtue of supervisory procedure, are final and not subject to appeal; they come into legal force immediately after they are adopted and are enforced in a manner stipulated in procedural and other laws.

2.3 Arbitration

For the purposes of extra-judicial settlement of disputes arising from civil relations, arbitration courts may be established in the Kyrgyz Republic.

On July 30, 2002 the Law of the Kyrgyz Republic “On arbitration courts in the Kyrgyz Republic” No. 135 was adopted.

Pursuant to such Law, in accordance with arbitration agreement or law, disputes may be submitted for consideration to a standing arbitration court or one-time arbitration court.

Arbitration court holds proceedings based on the rules, stipulated in arbitration agreement and in case of the absence thereof – based on the rules, selected or established by the arbitration court. Arbitration court considers dispute in accordance with the provisions of substantive law, which the parties have established in agreement or in arbitration agreement as applicable to the merits of dispute. If there is no agreement on applicable law, arbitration court may independently determine the provisions of law to be applied to dispute.

Arbitration award is final and may not be contested. The parties must implement arbitration award in the manner and within the terms, stipulated in the award. If judgment is not implemented voluntarily, it is subject to enforcement based on enforcement sheet issued by court. The issue of enforcement sheet for enforcement of arbitration court is reviewed by rayon and similar courts of the Kyrgyz Republic based on the request of concerned party.

The Kyrgyz Republic is also the signatory of the UN convention on the recognition and enforcement of foreign arbitration awards dated June 10, 1958. The Kyrgyz Republic became a signatory to this convention based on the decree of the Legislative Assembly of the Jogorku Kenesh of the Kyrgyz Republic dated May 17, 1995 Z No. 79-1 and the Assembly of People’s Representatives of Jogorku Kenesh of the Kyrgyz Republic dated May 31, 1995 P No. 62-1.

3. Foreign Investments

In the Kyrgyz Republic there is the Law “On investments in the Kyrgyz Republic” dated March 27, 2003 No. 66 in force.

Such law guarantees to foreign investors the national regime of economic activities, applied to legal entities and individuals of the Kyrgyz Republic, right to free movement on the territory of the Kyrgyz Republic, non-interference in economic activities. Besides that, such law stipulates the guarantees for the removal or repatriation of investments, property and information from the Kyrgyz Republic, protection of investments from expropriation and compensation of losses to investors, freedom of money operations, freedom of access to information.

Foreign investors are granted the right to freely conduct economic activities on the territory of the Kyrgyz Republic.

Investors are free to choose the amount, composition and structure of capital of the established legal entity, unless otherwise stipulated by the laws of the Kyrgyz Republic.

Investors are entitled to carry out economic activities necessary to carry out investment activities in accordance with the laws of the Kyrgyz Republic with legal entities and individuals, including foreign ones.

Investors may establish subsidiaries, as well as branches and representative offices on the territory of the Kyrgyz Republic.

Investors may voluntarily establish partnerships and other associations on the territory of the Kyrgyz Republic.

Investor may participate in the privatization of state and municipal property by purchasing title to state and municipal property or its portion, and shares (interest ownership, contribution) in the charter capital of enterprise being privatized.

Investor shall be entitled to purchase state securities, shares and other securities of legal entities, registered in the Kyrgyz Republic.

4. Investment Benefits

The Investment Facilitation (Stimulation) Act and the BOI. The Kyrgyz Republic has concluded a number of bilateral agreements on mutual support, facilitation and protection of investments. Agreements in this area were concluded with the following countries:

- People's Republic of China (1995);
- Republic of Turkey (1996);
- Republic of Ukraine (signed in 1993, has not come into force);
- United States of America (1994);
- Malaysia (1995);
- Islamic Republic of Pakistan (1995);
- Republic of Armenia (1995);
- United Kingdom of Great Britain and Northern Ireland (1998);
- French Republic (1997);
- Islamic Republic of Iran (2005);
- Republic of Uzbekistan (1997);
- Republic of Azerbaijan (1997);
- Federative Republic of Germany (2006);
- Republic of Georgia (1997);
- Republic of India (2002);
- Republic of Indonesia (1997);
- Republic of Kazakhstan (2005);
- Republic of Belarus (2001);
- Mongolian People's Republic (signed in 2007, has not come into force);
- Swiss Confederation (2003);
- Republic of Tajikistan (2001);
- Kingdom of Sweden (2003);
- Republic of Moldova (2004);
- Republic of Finland (2004);
- Republic of Korea (2008);
- Republic of Latvia (2009);
- Republic of Lithuania (signed in 2008, has not come into force).

The Business and Investment Board under the Government of the Kyrgyz Republic has been established in the Kyrgyz Republic. The Board acts based on the Regulation on Business and Investment Board under the Government of the Kyrgyz Republic, approved by the Decree of the Government of the Kyrgyz Republic dated August 5, 2010 No. 149. In accordance with such Regulation, the Board is a consultative and advisory body that is coordinated by the Government of the Kyrgyz Republic that ensures the development and preparation of recommendations and proposals for state bodies on the matters of improving business environment and investment

climate in the Kyrgyz Republic and implementation of activities necessary to accelerate the country's socio-economic development.

Within its competence, the Board reviews and analyzes business environment and investment climate in the country, develops proposals and recommendations for state authorities aimed at the improvement of business environment and investment climate and reforming the state governance system with a view to perfect the state's regulatory functions, as well as to determine the strategy and priorities for investments attraction. In addition, the Board implements activities to improve business environment and investment climate.

4.1. Free economic zones.

With a view to promote the socio-economic development of the Kyrgyz Republic and its separate regions (accelerated development of regions), attraction of investments, establishment and development of production, transportation infrastructure, tourism and resort and sanatorium sphere and/or for other purposes in accordance with the laws of the Kyrgyz Republic, free economic zones are established (hereinafter the FEZ).

Pursuant to the Tax Code of the Kyrgyz Republic the activities of FEZ entity on the FEZ territory shall be exempt of all types of taxes. The activities of FEZ entities carried out on the rest of the Kyrgyz Republic are applied common tax regime.

Commodities imported by FEZ entities to the territory of FEZ are placed and used on FEZ territory in accordance with the conditions of customs regime applicable to free customs zone. FEZ entity is a legal entity registered (re-registered) by a competent state authority and that passed record registration with the general directorate of FEZ in accordance with the laws of the Kyrgyz Republic.

The following FEZs are established on the territory of the Kyrgyz Republic: Bishkek, Karakol, Maimak, Leilek, Naryn.

4.2. Trade and Investment Support Offices

On December 20, 1998 the Kyrgyz Republic has joined the WTO and is currently a WTO member.

5. Forms of Business Organization

5.1 Limited Liability Companies

The procedure applicable to the establishment and liquidation of limited liability companies, the procedure of establishment and operation of their governance bodies are determined in the Civil Code of the Kyrgyz Republic, as well as in the Law of the Kyrgyz Republic "On economic partnerships and societies".

In accordance with the above regulations, limited liability company means a company founded by one or several persons, with its charter capital being divided into ownership interests as established by constitutive documents; limited liability company's shareholders are not responsible for its liabilities and bear the risk of losses, related to company's activities, within the value of their contributions.

The number of shareholders in a limited liability company may not exceed thirty. Limited liability company may not have another entity consisting of one person as a sole shareholder.

Company's constitutive documents are founders' agreement, signed by its founders and the charter they approve. If company is founded by one person, its charter serves as constitutive document.

A supreme body of the company is its general shareholders meeting or founder (if company is established by one person). Company establishes executive body (collective or sole)

that carries out the day-to-day management of its activities and reports to general shareholders meeting. For the control over the activities of executive body, general shareholders meeting is entitled to establish inspection commission.

In order to establish a company, the shareholders of such company form charter capital with their contributions with its minimum amount being KGS 100 (\$2 (USD exchange rate of 51.8111))

5.2 Partnerships

In addition to limited liability companies, partnerships may also be established in the Kyrgyz Republic: general partnership and limited partnership.

An economic partnership, which has one or more participants that have responsibility limited to their contribution to the charter capital of partnership (contributors) and who don't participate in the partnership carrying out its entrepreneurial activities besides one or several partners that bear joint additional responsibility for partnership's liabilities with all their property (general partners), is considered as limited partnership.

The charter capital of limited partnership is made of the contributions made by general partners and contributors. The aggregate shares of contributors to the charter capital may not account for more than 50 percent.

The affairs of limited partnership are governed by general partners.

Contributors are not entitled to participate in the management of limited partnership business as well as to act on its behalf unless by virtue of power of attorney.

General partners bear joint additional responsibility with all their property under the liabilities of joint partnership. Contributors are responsible for the liabilities of limited partnership within the contributions they make to the charter capital of partnership.

Economic partnership is deemed general if its partners bear joint responsibility for its liabilities with the property they own if the property of general partnership is insufficient. The partners of the general partnership form the charter capital of partnership. Each partner of general partnership is entitled to act on behalf of the partnership, if constitutive document doesn't state that all its partners shall manage its affairs jointly, or the governance of its activities is vested in certain partners. Decisions on internal matters of general partnership are made based on the general agreement of all partners.

5.3 Branches and representative offices

Branch is a separate unit of a legal entity, located outside of its place of business that carries out all or some part of its functions, including representation functions.

Representative office is a separate unit of a legal entity that is located outside of its place of business and that carries out the representation functions and the protection of legal entity's interests, effectuates transactions and other legal actions on its behalf.

Branches and representative offices are not legal entities, they are provided fixed and working assets from the property of the main (head) company, act based on the regulations it approves and carry out their activities on behalf of the company that established them. The responsibility for the activities carried out by branch and representative office is borne by the main (head) company. Branch and representative offices managers act based on powers of attorney, issued by the main (head) company.

5.4. Licensing

Some activities, actions and operations on the territory of the Kyrgyz Republic are subject to mandatory licensing with a view to prevent the damage to life and health of people, environment, property, public and state security, as well as to manage limited state resources. The legal relations in this sphere are regulated by the Law of the Kyrgyz Republic "On licensing and permits framework in the Kyrgyz Republic".

On the territory of the Kyrgyz Republic one can be issued temporary and lifetime licenses, licenses that are in force on the entire territory of the Kyrgyz Republic or restricted to a certain territory, alienable and non-alienable licenses, as well as general or one-time licenses. It is prohibited to transfer licenses to any other person to carry out activities.

Licenses are recorded to license registers. Registers are the only official source that may verify the existence of issued licenses and their legal status.

Licenses are issued by state authorities depending on the types of licensed activities.

When license is issued, flat license fee is deducted which is established depending on the type of licensed activities.

Following the issue of license the licensee is subject to licensing supervision with a view to inspect the compliance by the latter with licensing requirements.

6. Taxation

6.1 General

Tax legal matters on the territory of the Kyrgyz Republic are regulated by the Tax Code of the Kyrgyz Republic dated October 17, 2008 No. 230.

In accordance with the Tax Code of the Kyrgyz Republic, national taxes, local taxes as well as special taxation regimes are established in the Kyrgyz Republic.

National taxes are the taxes, established by the Tax Code of the Kyrgyz Republic and that are mandatory for payment on the entire territory of the Kyrgyz Republic.

Local taxes are the taxes established by the Tax Code of the Kyrgyz Republic and that are given force by the regulations of local keneshs (councils), mandatory for payment on the territories of the relevant political sub-divisions.

National taxes include:

- 1) income tax;
- 2) profit tax;
- 3) value added tax;
- 4) excise tax;
- 5) subsurface use tax;
- 6) sales tax.

Local taxes include:

- 1) land tax;
- 2) property tax.

Special taxation regimes include:

- 1) tax based on mandatory short-term license;
- 2) tax based on voluntary short-term license;
- 3) streamlined taxation system based on single tax;
- 4) taxes based on tax contract;
- 5) tax regime in free economic zones;
- 6) tax on special assets;
- 7) tax regime applicable to High-tech park.

6.2. Profit tax

Profit tax payers are domestic organizations, foreign organizations, individual entrepreneurs, as well as tax agents.

The taxed item under profit tax is the economic activity, which generates income, carried out by:

- 1) domestic organization or individual entrepreneur – from the source in the Kyrgyz Republic and/or from the source outside the Kyrgyz Republic;
- 2) foreign organization or non-resident individual that carries out its activities through a permanent institution in the Kyrgyz Republic, - from the source in the Kyrgyz Republic.

The tax base under profit tax is profit. Profit is a positive difference between total annual income (total annual income includes all types of incomes) of tax payer and expenses, subject to deduction pursuant to the Tax Code of the Kyrgyz Republic, estimated over the tax period. The tax base for foreign entities that receive income from the source in the Kyrgyz Republic, not related to a permanent institution in the Kyrgyz Republic, is income without any deductions. Tax is deducted by a person that pays out income.

The tax period under profit tax is one calendar year.

The rate of profit tax is established in the amount of 10 percent.

In addition, the Tax Code of the Kyrgyz Republic establishes the income that is not subject to profit tax, as well as the organizations that are exempt from the payment of profit tax.

6.3. Private income tax

Income tax payers are individuals who receive income, as well as tax agents (organization or individual entrepreneur that pays income to individual).

Income tax rate is established in the amount of 10 percent.

The tax period under income tax is one calendar year.

The tax base under income tax is income estimated as a difference between total annual income, received by tax payer over tax period and deductions established by the Tax Code of the Kyrgyz Republic.

The total annual income of tax period includes all types of income, received by tax payer over such tax period, both of monetary and in-kind form, in the form of works and services.

In addition, the Tax Code of the Kyrgyz Republic determines the types of incomes not subject to income tax. For instance, the income that is not subject to income tax is allowances and compensations under state social insurance, pensions, paid in accordance with the laws of the Kyrgyz Republic, scholarships paid to the students of educational institutions of the Kyrgyz Republic in the amounts established by the laws of the Kyrgyz Republic etc.

6.4. Deduction of income tax from the source

Tax agent entity must assess, deduct and transfer income tax to the budget. When estimating income tax, paid by tax agent, the tax base is the difference between the amount of income paid out and standard deductions. Income tax, deducted by tax agent is subject to payment to budget not later than the date following the 20th day of month that follows the month when income is paid out.

6.5. Agreement on the avoidance of double taxation

In accordance with the Regulation on the application of agreements (conventions) on the avoidance of double taxation and prevention of income and capital (property) tax evasion, concluded by the Kyrgyz Republic with foreign states, approved by the Decree of the Government of the Kyrgyz Republic dated May 15, 2012 No. 298, tax agreements are applicable to income and capital (property) taxes, depending on the conditions of a certain Tax Agreement. In the Kyrgyz Republic such taxes are income tax, profit tax and the tax imposed on the income of foreign organization, received from the source in the Kyrgyz Republic, not related to a permanent institution in the Kyrgyz Republic.

Currently, the Kyrgyz Republic has concluded agreements on the avoidance of double taxation with the following countries:

1. Russian Federation (came into force on September 6, 2000),
2. Republic of Kazakhstan (came into force on March 31, 1998),
3. Republic of Belarus (came into force on May 12, 1998),
4. Republic of Uzbekistan (came into force on March 17, 2000),
5. Republic of Tajikistan (came into force on February 1, 1999),
6. Ukraine (came into force on May 1, 1999),
7. Republic of India (came into force on January 4, 2001),

8. Republic of Turkey (came into force on December 20, 2001),
9. Canada (came into force on December 4, 2000),
10. Malaysia (came into force on December 26, 2006),
11. Swiss Confederation (came into force on June 5, 2002),
12. Republic of Austria (came into force on May 1, 2003),
13. PRC (came into force on March 29, 2003),
14. Finland (came into force on February 28, 2004),
15. Republic of Moldova (came into force on January 16, 2006),
16. Mongolia (came into force on September 15, 2004),
17. Poland (came into force on June 22, 2004),
18. Iran (came into force on September 16, 2005),
19. Germany (came into force on December 22, 2006),
20. Latvia (came into force on March 4, 2008),
21. Lithuania (came into force on June 20, 2013),
22. Republic of Korea (came into force on November 22, 2013)

6.6. VAT

VAT is a form of extracting the value of all taxable deliveries to the territories of the Kyrgyz Republic, as well as taxable import, in the form of budget revenue.

VAT payer is a taxable entity, as well as the entity that carries out taxable import activities.

VAT rate is established of 12 percent on all taxable deliveries and taxable import. The entity that carries out economic activities must register as a VAT payer, if within 12 consecutive months or within the period less than 12 consecutive months it has been delivering goods, works and services for the value exceeding KGS 4,000,000 (\$77,204 (USD exchange rate of 51,8111)).

The day when tax liability arises is the date of delivery.

The VAT tax base under the taxable delivery is the taxable delivery value. The VAT tax base under taxable import is the taxable cost of imported goods.

The tax period used for the assessment of VAT under taxable deliveries is one calendar month. VAT amount payable to the budget with respect to taxable deliveries is established as the difference between VAT amount, assessed under all taxable deliveries, performed by taxable entity within the tax period, and VAT amount for the purchased material resources (fixed assets, goods, including raw materials, materials, fuels, component parts, as well as fulfilled works and rendered services), subject to credit in the same tax period.

The right to credit arises provided that taxable entity has been actually delivered goods, works and services by the entity registered as VAT payer and issued VAT invoice; issued cash receipt and/or sales slip; goods are imported by taxable entity to the territory of the Kyrgyz Republic and VAT is paid thereon, as well as taxable entity has paid the cost of purchased material resources in non-cash and/or cash forms.

VAT is payable not later than the date, following the 25th date of the month that follows the reporting tax period.

The Tax Code of the Kyrgyz Republic stipulates deliveries, exempt from VAT payment.

6.7. Sales tax.

Sales tax payer is a domestic organization or foreign organization that carries out the activities in the Kyrgyz Republic through a permanent organization, as well as individual entrepreneur.

The taxable item under sales tax is the sale of goods, performance of works, provision of services.

The tax base is the revenue derived from the sale of goods, works, services, net of VAT and sales tax.

Sales tax rate is established:

- 1) when selling goods, works, services that are subject to VAT and exempt from VAT of 1.5 percent to 5.0 percent;
- 2) when selling goods, works, services not stipulated in cl. 1 hereof of 2.5 percent to 3.5 percent.

The tax period under sales tax is one calendar month.

Tax payer must provide tax reporting and pay sales tax until the date that follows the 20th day of a month subsequent to reporting period.

In addition, the Tax Code of the Kyrgyz Republic stipulates the cases of exemption from sales tax.

6.8. Property tax.

Property tax payer is an organization or individual that:

- 1) owns the property registered on the territory of the Kyrgyz Republic;
- 2) has property, purchased under financial lease or mortgage agreement, registered on the territory of the Kyrgyz Republic, from the first day of a month that follows the month when the right to such property possession arises.

The taxation item under property tax is the property under state, municipal or private ownership.

Taxable property includes the following items:

- 1) 1 group: residential houses, apartments, suburban houses designed for permanent or temporary living, that aren't used in entrepreneurial activities;
- 2) 2 group: residential houses, apartments, suburban houses, resorts, vacation retreats, sanatoriums, spa resorts, production, administrative, industrial, as well as other capital structures, designed and/or used to carry out entrepreneurial activities;
- 3) 3 group: temporary premises made of metal and other structures, such as kiosks, containers, designed and/or used to carry out entrepreneurial activities;
- 4) 4 group: transportation vehicles, including self-propelled vehicles and mechanisms.

The tax base under property tax for property items of groups 1, 2 and 3 is the taxable value of property items, for the items of group 4 – either cubic capacity or book value. The tax period under property tax is one calendar year.

Tax rate is established as follows:

- 1) for items of group 1 – 0.35 percent of tax base;
- 2) for property items of groups 2 and 3 – 0.8 percent of tax base;
- 3) for property items of group 4 – based on the rates depending on engine cubic capacity.

The tax code of the Kyrgyz Republic stipulates benefits and exemptions from property tax.

6.9. Land tax.

Land tax payer is an entity recognized as land owner or user, the land use right of which is certified with a state certificate on private ownership title to land plot, certificate for the right of the temporary use of land plot, certificate for the right of private ownership to land allotment in accordance with the Land Code of the Kyrgyz Republic.

The taxable item under land tax is ownership title, temporary possession and use right to agricultural lands and lands subject to land tax imposition.

The tax base for the assessment of land tax is land plot area specified in title document.

The rate of land tax is established by the Tax Code of the Kyrgyz Republic depending on lands category.

The tax period under land tax is one calendar year.

The Tax Code of the Kyrgyz Republic determines the categories of lands and persons that are exempt from land tax.

6.10 Stamp tax

On August 15, 2007 the Law of the Kyrgyz Republic No. 153 “On state duty” has been adopted. Pursuant to such Law, state duty means a fee deducted by the relevant state authorities – court, state notaries and other specially authorized bodies, as well as by private notaries, when such perform certain actions, and issue document of legal significance.

State duty is deducted for the consideration of cases in court, for notarial actions effectuated by notarial offices and competent state authorities, for the re-issue to individuals of certificates on the registration of civil status acts, for the processing of documents for granting the right to go abroad and to enter the Kyrgyz Republic based on invitation for foreign individuals, for the issue of passport, for the transactions effectuated with the rights to land plots, for the issue of licenses etc. The rates of state fee are established and changed by the Government of the Kyrgyz Republic with the consent of the Jogorku Kenesh of the Kyrgyz Republic.

In addition, such Law stipulates certain benefits applicable to state fees payment.

6.11 The contest procedures under the tax code (laws)

The procedure of contesting decisions of tax authorities, actions and/or omissions of their officers is determined by the Tax Code of the Kyrgyz Republic.

Tax payer’s complaint regarding the decision of tax authorities is reviewed by a competent tax authority.

Tax payer’s complaint regarding the decision of tax authorities is submitted to the competent tax authority within 30 calendar days from the date that follows the day when tax payer was delivered such decision. The copy of complaint must be sent by tax payer to the tax authority’s body, the decision of which is being contested.

The complaint of tax payer must be filed in writing.

In response to tax payer’s complaint decision is provided regarding the merits of complaint within the period of not later than 30 calendar days that follow the day when such complaint was received. The period of complaint review is starts following the day when complaint was registered with the competent tax authority and elapses on a day, when decision is provided to tax payer.

Based on complaint review results, the competent tax authority makes one of the following decisions:

- 1) satisfies tax payer’s complaint;
- 2) satisfies tax payer’s complaint in part;
- 3) refuses to satisfy tax payer’s complaint.

Decision made by the competent tax authority in accordance with cl. 1 and 2 supersedes the previous decision of tax authority.

In case of full or partial satisfaction of tax payer’s complaint, decision of tax authority shall be amended and supplemented in the relevant manner based on the decision made regarding complaint.

Tax payer, who doesn’t agree to the decision of the competent tax authority made regarding the submitted complaint, is entitled to contest such decision judicially based on general civil procedure rules with specifics established for administrative cases.

6.12 Taxes imposed on subsurface use

Subsurface tax is in force on the territory of the Kyrgyz Republic, which includes:

- 1) bonuses – flat payments for the right to subsurface use with a view to search, explore and develop natural deposits;
- 2) royalty – current payments for subsurface use with a view to develop mineral deposits and/or take (extract from subsurface) ground water.

Bonus payer is a domestic organization or foreign organization that carries out activities in the Kyrgyz Republic through a permanent institution, as well as individual entrepreneur that has a right to subsurface use.

The item subject to bonus imposition is the right to subsurface use with a view to:

- 1) develop mineral deposit;
- 2) explore mineral deposit with certain reserves;
- 3) search mineral deposit in the areas with prior assessed reserves and forecasted resources;
- 4) take (extract from subsurface) ground water;
- 5) drill water wells.

The tax base for bonus assessment is the quantity of geologic reserves and forecasted resources, accounted by the State cadaster of mineral deposits and occurrences of the Kyrgyz Republic, and the drilling depth of water wells.

Bonus rate is established by the Government of the Kyrgyz Republic on all types of minerals based on classification table depending on exploration degree, value and scale of deposits and/or occurrences of minerals, as well as the area used for the search of mineral deposits and the depth of drilled water wells.

Bonus payer provides the tax authority with the relevant assessment, reconciled with the state subsurface use authority, and pays bonus at the location of its record registration not later than 30 days from the date when it obtains license granting the right to subsurface use.

Royalty payer is a domestic organization or foreign organization that carries out activities in the Kyrgyz Republic through a permanent institution, individual entrepreneur, who:

- 1) develops mineral deposits;
- 2) takes (extracts from subsurface) ground waters;
- 3) incidentally extracts oil and gas in the process of experimental testing in the course of the search and exploration of hydrocarbon deposits;
- 4) carries out one time mining of natural resources for the purposes of pilot testing and/or prevention or liquidation of emergency situations.

The item subject to royalty imposition is the right to subsurface use with a view to extract natural resources from subsurface.

Pursuant to art. 309 of the Tax Code of the Kyrgyz Republic the tax base under royalty is:

- 1) revenue net of VAT and sales tax, received from the sale of natural resources or the products received as a result of processing natural resources;
- 2) volume of sold products in-kind;
- 3) volume of drawn ground water based on water gauge – for royalty payers save for specialized water supply organizations.

Royalty rate is established based on the volume of drawn water in-kind, or of revenues, received from the sale.

The royalty period is one calendar month.

Royalty payer must submit tax reporting and pay royalty at the location of its record registration until the 20th day of a month that follows the reporting month.

6.13 Excise tax

Excise tax payer is an entity that produces, including on give-and-take basis, excise goods on the territory of the Kyrgyz Republic and/or imports excise goods to the territory of the Kyrgyz Republic, unless otherwise stipulated in the Tax Code of the Kyrgyz Republic.

Excise tax item is the production on the territory of the Kyrgyz Republic and/or import to the territory of the Kyrgyz Republic of excise goods.

Excise goods are:

- 1) Non-denaturalized ethanol with spirit content of 80 percent and more, or ethanol and other alcoholic tinctures, denaturalized, of any concentration,

- 2) alcohol,
- 3) tobacco,
- 4) other tobacco containing items,
- 5) crude oil and oil products.

The excise tax base is a physical volume of excise commodity; and/or the sale price of excise goods, and/or the market price of goods net of VAT, sales tax and excise tax.

The Tax Code of the Kyrgyz Republic establishes the base excise rates, as well as stipulates the conditions for exemption from excise tax.

7. Securities and Securities Market Laws.

Legal relations that pertain to securities on the territory of the Kyrgyz Republic are regulated by the Law of the Kyrgyz Republic “On securities market” dated July 24, 2009 No. 251. Such law regulates the relations associated with securities public offering and issue, with possession and circulation of securities, with the activities of professional and other actors in the securities market, with supervision in the securities market.

The activities related to the organization of trading in securities market, brokerage activities in the securities market, maintenance of security holders register, deposit activities in the securities market, dealing activities in the securities market are subject to licensing.

7.1 Regulators

A competent state authority of the Kyrgyz Republic that pursues a single state policy in the area of supervision and regulation of the financial market, accounting, financial reporting and audit is the Department for Financial Market Supervision and Regulation of the Kyrgyz Republic (hereinafter the Financial Supervisor). The powers, functions and goals of the Financial Supervisor, organization of activities, as well as the rights and responsibilities are determined by the Law of the Kyrgyz Republic “On securities market”, Regulations on the Department for Financial Market Supervision and Regulation of the Kyrgyz Republic, approved by the Decree of the Government of the Kyrgyz Republic dated July 24, 2007 No. 288.

7.2 Securities placement

Pursuant to the Law of the Kyrgyz Republic “On securities market”, securities issue procedure includes the following stages:

- issuer making decision on the issue of securities;
- state registration of securities with a competent state authority for the regulation of securities market;
- for certified securities issue – production of securities and/or security certificates;
- securities placement;
- recognition of securities issue results as valid or invalid.

In case of public securities issue, the issue procedure is supplemented with the following stages:

- state registration of public offering conditions and prospect with a competent state authority for the regulation of securities market;
- disclosure of information on the public offering of securities.

It is prohibited to effectuate transactions with securities that haven't passed state registration with a competent state authority.

Fee is charged for the state registration of securities.

7.3. Stock exchange

The stock exchange of the Kyrgyz Republic was established in 1994.

In 1997 the Central Depository was established with active involvement of the stock exchange.

In 2000 stock exchange corporatization was effectuated. Currently the stock exchange is a closed joint stock company with 17 shareholders.

The requirements applicable to the activities of stock exchanges in securities market are established by the Regulation approved by the Decree of the Government of the Kyrgyz Republic dated May 13, 2011 No. 214. In addition, the Decree of the Kyrgyz Republic dated August 15, 2011 No. 469 established the rules and procedures of reporting by stock exchanges in the securities market of the Kyrgyz Republic, as well as approved Exchange trade rules (Stock exchange charter) of The Kyrgyz Stock Exchange CJSC (Decree of the Government of the Kyrgyz Republic dated May 12, 2006 No. 39).

8. Trade Competition Law

8.1 The Trade Competition Act

On the territory of the Kyrgyz Republic the legal relations that pertain to the organizational and legal foundation of competition protection and development are regulated by the Law of the Kyrgyz Republic “On competition” dated July 22, 2011 No. 116. Such Law is in force on the entire territory of the Kyrgyz Republic and covers the relations associated with the protection and development of competition, which involves any individuals and legal entities, state authorities and local governments, and is aimed to prevent, limit, restrain monopolistic activities and unfair competition, as well as the establishment of conditions to create and maintain efficient operation of markets in the Kyrgyz Republic.

Pursuant to the provisions of this Law on the territory of the Kyrgyz Republic it is prohibited to carry out activities that abuse the dominating position in the market, any anti-competition agreements achieved in any form are prohibited and recognized as void and unfair competition is prohibited. Control over compliance with the provision of the Law of the Kyrgyz Republic “On competition” is exercised by anti-monopoly authority.

In case an economic entity that occupies a dominant position carries out monopolistic activities on a regular basis, the anti-monopoly authority is entitled to make decision on involuntary division of such organizations or decision to extract one or several organization from such organization.

In addition, if anti-monopoly laws are violated, economic entities (their managers) in accordance with the decision of anti-monopoly authority must remedy the violation, reinstate original situation, terminate (conclude) agreement and amend it, cancel the act that violates the laws of the Kyrgyz Republic, transfer to the national budget the income, received as a result of anti-monopoly laws violation.

8.2 Goods and services pricing act

In general, the pricing on the territory of the Kyrgyz Republic is free. However, pricing regulation in the Kyrgyz Republic may take place in certain cases. Thus, for instance, pricing regulation is effectuated to regulate the activities of natural and legal monopolies, as well as under the anti-dumping policy.

On August 8, 2011 the Law of the Kyrgyz Republic “On natural and legal monopolies in the Kyrgyz Republic” No. 149 was adopted. Pursuant to such Law, natural and legal monopolies are applied the following pricing regulation methods: the establishment of prices (tariffs), including those applicable to export and establishment of overall price (tariff) level.

Moreover, the Law of the Kyrgyz Republic “On anti-dumping” dated October 31, 1998 No. 139 is in force on the territory of the Kyrgyz Republic.

Such Law determines the key notions and principles of the laws of the Kyrgyz Republic on anti-dumping, the proceedings regarding the identification of dumping practices and damage, as well as the conditions applicable to the introduction and cancellation of anti-dumping measures.

In accordance with the Law of the Kyrgyz Republic “On anti-dumping”, the goods imported from another country to the Kyrgyz Republic at the price lower than their usual cost are

considered as dumping, if the export price of such goods is lower than the price established for such goods, designed for consuming in the exporting and/or producing country in the process of usual trade operations, and goods quality corresponds to the quality of goods, produced by domestic manufacturers.

On the territory of the Kyrgyz Republic it is prohibited to sell dumping goods.

9. Consumer Rights Protection

On December 10, 1997 the Law of the Kyrgyz Republic “On the protection of consumer rights” No. 90 that regulates the relations that arise between consumers and manufacturers, contractors, vendors when goods are sold (works performed, services provided), establishes the rights of consumers to purchase goods (works, services) of a due quality and safe for life and health of consumers, obtain information about goods (works, services) and their manufacturers (contractors, vendors), awareness, state and public protection of their interests, as well as determines the mechanism of such rights exercise, was adopted.

This Law provides consumers with certain guarantees that ensure the protection of consumer rights when goods are sold, ensure the protection of consumer rights from unlawful trade, ensure the protection when works are performed (services are rendered). In addition, the state anti-monopoly authority (its territorial divisions) effectuates state control under the anti-monopoly policy over the compliance with laws and other regulations of the Kyrgyz Republic that govern the relations in the area of consumer rights protection.

In accordance with such law, manufacturer is responsible for the provision of false information about goods, certification, price, sponsorship; in addition, manufacturer is responsible for the violation of consumer rights. The losses caused to consumer are subject to reimbursement in full.

The damage caused to consumer’s life, health or property due to the defects in goods’ (work’s, service’s) design, production, recipe or due to other defects are subject to compensation in full.

Consumer rights are protected by court. In addition, state standardization, metrology and certification authority (or its territorial divisions) and other state governance bodies (their territorial divisions) that effectuate control over the quality and safety of goods (works, services), are entitled to impose charges in the cases, established by the above Law within their competence.

10. Intellectual Property

The Kyrgyz Republic has a number of laws that regulate relations in the area of intellectual property. The key laws are the Civil Code of the Kyrgyz Republic, the Law of the Kyrgyz Republic “On copyright and related rights”, the Law of the Kyrgyz Republic “On trademarks, service marks and designation of origin”, Patent law, the Law of the Kyrgyz Republic “On the legal protection of software for computers and databases”, as well as any other laws and by-laws.

Moreover, the Kyrgyz Republic is a signatory to a number of international treaties pertaining to intellectual property. Such as:

- Berne Convention for the Protection of Literary and Artistic Works;
- Paris Convention for the Protection of Industrial Property;
- Madrid Agreement Concerning the International Registration of Marks etc.

We would like to note that the Kyrgyz Republic is a member of the World Trade Organization (WTO). Thus, when developing the laws on intellectual property, the requirements of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights have been taken into account.

10.1. Trademarks.

Law of the Kyrgyz Republic “On trademarks, service marks and designations of origin” dated January 14, 1998 No. 7 provide that words, images, dimensional and other identity or their combinations may be registered as a **trademark and service mark**. Trademark may be registered in any color or color combination.

Certificate is issued for the registered trademark. Certificate supports the priority of trademark, exclusive right of owner to trademark with respect to the goods, specified in the certificate

Legal protection of trademark in the Kyrgyz Republic is provided based on its state registration in a manner, established by the Law of the Kyrgyz Republic “On trademarks, service marks and designations of origin” or by virtue of international treaties, to which the Kyrgyz Republic is a signatory.

Trademark owner has an exclusive right to use and dispose of trademark, as well as to prohibit its use by other persons. The exclusive right to trademark may serve as a pledge item. No one may use trademark in the Kyrgyz Republic without its owner’s permission.

Trademark registration is valid for ten years. Trademark registration may be prolonged based on owner’s request, submitted within the last year of its validity, each time for 10 years.

Designation of origin– is the name of country, population center, area or any other geographical site (hereinafter the geographical site), used to identify goods that have special features exclusively and mainly determined by the natural conditions or human factors, or natural conditions and human factors at the same time, inherent in this site.

Designation of origin may be a historical name of geographical object. As a title of protection, the registered designations of origin are issued certificate. Certificate period is prolonged each time for 10 years.

Foreign legal entities and individuals may have the rights, stipulated in the Law of the Kyrgyz Republic “On trademarks, service marks and designation of origin” and other regulations that pertain to the legal protection of trademarks and designations of origin, equally with the legal entities and individuals of the Kyrgyz Republic or based on reciprocity principle.

10.2. Patents

“Patent law” of the Kyrgyz Republic dated January 14, 1998 No. 8 establish, a competent state authority of the Kyrgyz Republic in the area of intellectual property is Kyrgyzpatent.

Invention patent is valid for twenty years, starting from the day when application was submitted to Kyrgyzpatent. The invention patent period that pertains to pharmaceuticals, may be prolonged by Kyrgyzpatent based on owner’s request, but for not more than five years.

Utility patent is in force for five years, starting from the day when application was submitted to Kyrgyzpatent. Utility patent period may be prolonged by Kyrgyzpatent based on owner’s request, but for not more than three years.

Design patent is in force for ten years, starting from the day when application was submitted to Kyrgyzpatent. Design patent period may be prolonged by Kyrgyzpatent based on owner’s request, but for not more than five years.

Patent owner holds an exclusive right to the industrial property items protected by patent, including the right to prohibit the use of such items by other persons, save for the cases, when such use in accordance with this Law doesn’t violate the exclusive right of patent owner.

The exclusive right to protected industrial property items arises from the day when information on the issue of patent is published in the official bulletin promulgated by Kyrgyzpatent.

10.3. Copyright

Copyright covers the works of science, literature and art that are the result of creative activity regardless of its purpose and value, as well as the method of their expression.

Work must be expressed in verbal, written or any other objective form that allows for its comprehension.

Work made in writing or otherwise expressed on a material medium (manuscript, typewriting, music sheets, record made with the use of technical means, including audio or video record, record of image in two- or three dimensional configuration etc.), is deemed to have objective form, regardless of its accessibility by third persons.

Verbal or any other work that is not expressed on material medium is deemed to have objective form if it became accessible for comprehension by third parties (public speaking, public performance etc.).

Copyright covers both published and unpublished works. Copyright doesn't cover ideas, procedures, methods, concepts, principles, frameworks, proposed decisions, discovery of objectively existing phenomena.

Copyright to the works of science, literature and art arises due to the fact of their creation. For copyright to arise and be exercised no registration of work or observance of any other formalities is required.

Copyright to work is not related to title to tangible object, in which the work is expressed.

The transfer of ownership title or the right to possess some tangible object doesn't result per se in the transfer of any copyright to the work expressed in such object¹.

Copyright is valid for the period of author's life and fifty years after its death, starting with the January 1 of the year that follows the year of author's death².

Copyright also covers computer software, which is protected as the works of literature. Such protection covers all types of software, including all applications and operation systems, which may be expressed in any language and in any form, including source text and object code³.

10.4. Protection of intellectual property rights

The legislation of the Kyrgyz Republic stipulates civil, administrative and criminal responsibility for the violation of provisions pertaining to intellectual property.

11. Labor Law

The purposes of labor laws are to establish state guarantees of labor rights and freedoms of individuals, establish favorable labor conditions, protect the rights and interests of employees and employers. Labor laws are aimed at the establishment of necessary legal conditions to achieve an efficient agreement between the interests of parties to labor relations, as well as state's interests.

The key regulation that governs labor relations is the Labor Code of the Kyrgyz Republic. The Labor Code of the Kyrgyz Republic governs such areas as social partnership in labor sphere, employment agreement, remuneration and labor rate setting, professional development and continuing education, labor safety, accountability of parties to employment agreement, protection of employee's labor rights etc.

¹ Art. 6 of the Law of the Kyrgyz Republic "On copyright and related rights" dated January 14, 1998 No. 6.

² Art. 27 of the Law of the Kyrgyz Republic "On copyright and related rights" dated January 14, 1998 No. 6.

³ Art. 7 of the Law of the Kyrgyz Republic "On copyright and related rights" dated January 14, 1998 No. 6.

11.1. Employment agreement

Employment agreement is an agreement between employee and employer which states the obligation of employer to provide employee with work based on determined labor function, ensure labor conditions, stipulated in this Code, laws, other regulations, collective agreement, contracts, local regulations that contain labor law provisions, pay salary to employee in a timely manner and in full, and the obligation of employee to personally perform works pertaining to certain profession (specialty), qualification or position with submission to internal code of conduct.

Employment agreement is concluded in writing, in two counterparts and signed by the parties thereto. One copy is given to employee, another is stored with employer. Based on the concluded employment agreement, the recruitment of employee to work is processed in three day period based on the order (direction, instruction) of employer.

Employment agreements are concluded both for an unlimited period and for a limited period not to exceed 5 years (fixed term employment agreement), unless another period is established in the Labor Code of the Kyrgyz Republic and other laws.

Fixed term employment agreement is concluded in the cases when it is stipulated in laws, as well as when labor relations may not be established for an uncertain period subject to the nature and conditions of proposed work.

If employment agreement doesn't state in writing its period, such agreement is deemed to be concluded for an indefinite term.

The laws establish mandatory requirements to the contents of agreement. Employment agreement must contain the following mandatory information:

- 1) date and location of employment agreement conclusion;
- 2) parties' details:
 - full name of legal entity that acts as employer, its location, number and date of the state registration of constitutive documents;
 - last name, first name, patronymic (if stated in identity document) and position of employer (its representative), and in case employer is an individual - its permanent address, name, number, date of identity document issue;
 - last name, first name, patronymic (if specified in identity document of employee, social security identification number);
- 3) workplace where work must be performed;
- 4) title of position, specialty, profession, specifying qualification in accordance with the staffing table of organization or labor function;
- 5) date of work commencement;
- 6) employment agreement period;
- 7) work pattern;
- 8) rights and obligations of employee and employer;
- 9) remuneration conditions (including tariff rate or employee's wage, extra payments, markups and incentive payments, compensation payments for hard, dangerous and harmful labor conditions);

10) reliable description of labor conditions, compensation and benefits to employees for the work in hard, harmful and dangerous conditions;

11) parties' signatures.

11.2 Vacation and days off

All employees are provided days off (weekly continuous vacation). Days off are deemed to be the days of weekly vacation. In case of five day working week 2 days off per week are provided, in case of six day working week 1 day off is provided. The common day off is (usually) Sunday.

Employees are provided annual vacations subject to the retention of their job (position) and average wage. Main annual paid vacation is provided to employees for 28 calendar days.

In addition, the Labor Code of the Kyrgyz Republic establishes holidays.

11.3. Benefits

Depending on various circumstances related to the termination of employment agreement, severance pay is provided. Thus, for instance, in case of organization liquidation (legal entity), termination of employer's activities (individual), reduction of the number of employees or staff, including due to reorganization, severance pay is provided in the amount of at least two average monthly wages.

Employee that is dismissed upon the termination of employment agreement due to organization liquidation or the reduction of the number of employees or staff, including due to reorganization, retains average monthly wage subject to severance pay for a period of job search for 3 months, provided that within 10 business days following dismissal it has registered with a state employment agency as a person looking for a job. For the first month from the date of dismissal, employee is paid severance pay of at least two average monthly wages, for the second and third month of job search employee retains average monthly wage.

If after three month period dismissed employee is not provided a suitable job, as well as in case it refuses two job offers within the said period, it is assigned unemployed status.

In case of temporary disability employer pays to employee temporary disability benefit in accordance with the law and other regulations. Temporary disability benefits and conditions of their payment are established by the Government of the Kyrgyz Republic.

The Labor Code also establishes other types of benefits.

12. Immigration, Visa, Work Permit

The Kyrgyz Republic has visa, relax visa and visa free regimes according to the Law of the Kyrgyz Republic "On external labor migration" dated January 13, 2006 No. 4.

12.1. Visa regime.

Entry into the Kyrgyz Republic, stay on its territory and departure from the Kyrgyz Republic by foreign citizens and individuals without citizenship is permitted based on valid international passports or documents that replace them, issued by competent authorities of the country of citizenship or permanent residence and certifying their identity, subject to the availability of visas of the Kyrgyz Republic, unless otherwise established by international

treaties, that have come into force as established by laws, to which the Kyrgyz Republic is a signatory.

Visa may be of the following categories:

- diplomatic visa;
- official visa;
- investment visa;
- business visa;
- study visa;
- labor visa;
- religious visa;
- private visa;
- tourist visa;
- transit visa.

The initial issue of all visa categories to enter the Kyrgyz Republic is effectuated by diplomatic missions and consulate institutions of the Kyrgyz Republic abroad, by relevant MFA bodies at international border crossing points, as well as in the countries with no Kyrgyz Republic mission – by diplomatic missions and consulate institutions of the Russian Federation or the Republic of Kazakhstan based on bilateral agreements of the Kyrgyz Republic with such countries.

The initial processing and issue of all category visas may be also effectuated by consular points of the MFA at the international border crossing points upon the arrival of foreign individuals to the international checkpoints of the Kyrgyz Republic⁴.

12.2. Visa free regime.

Foreign individuals from a state which enjoys visa free regime, may enter, leave, go through, travel and stay on the territory of the Kyrgyz Republic with no need to be issued visa based on one of valid documents. When staying in the Kyrgyz Republic, the citizens of such foreign states are absolved from the requirement on the registration of their identity documents, if the period of their stay in the Kyrgyz Republic doesn't exceed 60 days (for the citizens of the Russian Federation and the Republic of Kazakhstan - 90 days).

On a unilateral basis, visa free regime for a period of up to 60 days is introduced for the citizens of the following states: the Commonwealth of Australia, the Republic of Austria, the Kingdom of Belgium, Bosnia and Herzegovina, Vatican, the United Kingdom of Great Britain and Northern Ireland, Hungary, the Federal Republic of Germany, the Kingdom of Netherlands, the Republic of Greece, the Kingdom of Denmark, Iceland, Ireland, the Kingdom of Spain, the Italian Republic, Canada, South Korea, Kuwait, the Republic of Latvia, the Republic of Lithuania, the Principality of Liechtenstein, the Grand Duchy of Luxembourg, the Republic of Malta, Monaco, New Zealand, Norway, United Arab Emirates, the Republic of Poland, the Portuguese Republic, the Kingdom of Saudi Arabia, the Republic of Singapore, the Slovak Republic, the Republic of Slovenia, the United States of America, the Republic of Finland, the French Republic, the Republic of Croatia, the Czech Republic, the Swiss Confederation, the Kingdom of Sweden, the Republic of Estonia, the State of Qatar, the State of Brunei Darussalam, the Kingdom of Bahrain, Japan.

Such visa free regime is in force until December 31, 2020.

In addition, pursuant to the Agreement dated October 9, 1992 “On visa-free movement of the citizens of the Commonwealth of Independent States on the territory of its members”, the citizens of Parties are entitled to enter, leave and move on the territory of, the Parties without visas subject to the availability of their identity documents or the documents that certify their citizenship.

⁴ Cl. 3, 54 Procedure of processing and issuing visas of the Kyrgyz Republic, approved by the Decree of the Kyrgyz Republic dated March 10, 2009 No. 156.

If the period of stay of the citizens from the above states on the territory of the Kyrgyz Republic exceeds 60 days (for the citizens of the Russian Federation and the Republic of Kazakhstan - 90 days), they must register at the place of their stay.

The entry into the Kyrgyz Republic by a foreign citizen or an individual without citizenship is not permitted based on the following basis:

- 1) in case of no visa or invalid document;
- 2) to ensure state security or protection of public order;
- 3) if it threatens the health, protection of rights and lawful interests of the citizens of the Kyrgyz Republic and other individuals that reside in the Kyrgyz Republic;
- 4) if during the previous stay it was established that it permitted the violation of the laws of the Kyrgyz Republic;
- 5) if upon the initiation of their request on entering the Kyrgyz Republic they have provided false information or submitted forged documents;
- 6) if the competent authorities of the Kyrgyz Republic made decision in their regard on impossibility of their stay (residence) in the Kyrgyz Republic, in a manner established by the Government of the Kyrgyz Republic;
- 7) on any other basis, established by the laws of the Kyrgyz Republic.

12.3. Work permit

The activities of employers that engage and use foreign workforce in the Kyrgyz Republic may be carried out based on the permit to engage and use foreign workforce, issued by competent state authority in the area of migration in a manner established by the Government of the Kyrgyz Republic.

Quota for the attraction and use of foreign workforce in the Kyrgyz Republic is determined by the Government of the Kyrgyz Republic on an annual basis, four months prior to the beginning of each calendar month, subject to state interests and the situation in the internal labor market.

The competent state authority in the area of migration distributes quota for labor migration among the employers, who attract foreign citizens and individuals without citizenship for a purpose of employment in the Kyrgyz Republic, subject to their contribution to the development of national economy and priority right of Kyrgyz citizens to take vacant position.

In order to carry out labor activities in the Kyrgyz Republic, foreign citizens or individuals without citizenship must have working permit. Working permit may be issued to foreign individual who is at least 18 years old.

A foreign citizen who temporary stays on the territory of the Kyrgyz Republic with a view to carry out labor activities on the territory of the Kyrgyz Republic, is issued working permit, however employer must credit an account specially opened by a competent state authority with funds necessary to ensure the departure of the foreign employee by the relevant type of transportation from the Kyrgyz Republic.

Working permit for foreign enterprise manager and foreign officer is issued for a period of one year with the right of annual prolongation. The total period of working permit for foreign qualified workers doesn't exceed two years, while for foreign individual entrepreneurs – doesn't exceed three years.

Decision to issue or to reject issuing working permit is made within 15 days from the date of issue of all necessary and duly processed documents⁵.

13. Import, Export and Trade Measures

Customs relations in the Kyrgyz Republic are regulated by the Customs Code of the Kyrgyz Republic, special laws, other regulations of the Kyrgyz Republic, as well as interstate agreements and other international law provisions that relate to customs laws.

All goods and transportation vehicles that are transported through customs border, including when carrying out foreign economic activities, are subject to customs processing and customs control in the manner and under conditions, stipulated by the Customs Code of the Kyrgyz Republic.

Goods import to the customs territory of the Kyrgyz Republic and their export from such territory results in the obligations of persons, who transfer the goods, to transfer goods under one customs regimes, stipulated in the Customs Code of the Kyrgyz Republic and comply with the conditions of such customs regime.

The customs tariff of the Kyrgyz Republic is bound by the confines of obligations of the Kyrgyz Republic as a WTO member. The rates of import and export customs tariffs within the WTO are approved on an annual basis by the Jogorku Kenesh of the Kyrgyz Republic. If the Jogorku Kenesh of the Kyrgyz Republic doesn't approve the customs duties of the Kyrgyz Republic, the rates of the previous year are in force.

13.1. Customs regimes:

- release for free circulation;
- re-import;
- customs warehouse;
- duty free shop;
- processing at customs territory;
- processing under customs control;
- processing outside of customs territory;
- temporary import;
- temporary export;
- export;
- re-export;
- transit;
- destruction;
- abandonment to the state;
- special customs regimes.

13.2. Customs payments:

- custom duty, established in accordance with the laws of the Kyrgyz Republic on customs tariff– the rate is established depending on commodities;
- value added tax on taxable import, deducted by customs authorities– 12%;
- excise on import, deducted by customs authorities– rate is determined depending on goods;
- seasonal duties;

⁵Regulation on carrying out labor activities by foreign individuals and individuals without citizenship on the territory of the Kyrgyz Republic, approved by the decree of the Government of the Kyrgyz Republic dated September 8, 2006 No. 639

- special types of duties (protective, anti-dumping, compensational) that refer to non-tariff regulation measures in accordance with the laws of the Kyrgyz Republic on the state regulation of foreign trade activities;
- customs charges.

13.3. Forms of customs control:

- verification of documents and information;
- verbal questioning;
- obtaining explanations;
- examine goods and transportation vehicles;
- customs inspection;
- personal inspection;
- marking of goods with special marks, or marking them with identification signs in the cases stipulated by the laws of the Kyrgyz Republic in force;
- control based on audit methods;
- control using audit methods;
- goods accounting.

13.4. Goods prohibited for import.

Items prohibited for import (export) to the customs territory of the Kyrgyz Republic by individuals:

1. All kinds of weapon and ammunition thereto, explosives.
2. Narcotic and psychotropic substances, as well as accessories for smoking opium and hashish.
3. Extremely poisonous substances.
4. Printed works, cliché, negative pictures, films, photos, cinema films, video tapes and video disks with the records of cinema films and other video programs, manuscripts, gramophone records and other audio records, drawings and other printed and graphical products that contain information that may cause harm to political, economic interests of the Kyrgyz Republic, state safety, public order, health safety, morals of population.
5. Other items, the import (export) of which is prohibited by the international obligations of the Kyrgyz Republic and the laws of the Kyrgyz Republic⁶.

13.5. Goods the import of which is restricted.

The import of specific goods, the list of which is approved by the Government of the Kyrgyz Republic, may be performed based on license only. For instance, such goods as:

- Arms and military equipment;
- Precious metals, alloys;
- Extremely poisonous substances etc.

In addition, the Government of the Kyrgyz Republic approves the National list of controlled products of the Kyrgyz Republic, the import, export and re-export of which is effectuated based on license⁷.

13.6. Anti-dumping

⁶ Annex No. 1, the Instruction on goods and vehicles transfer through the state border of the Kyrgyz Republic by individuals, approved by the decree of the Government of the Kyrgyz Republic dated December 31, 2004 No. 976.

⁷ Art. 15 cl. 57), 58) of the Law of the Kyrgyz Republic "On licensing and permits framework in the Kyrgyz Republic" dated October 19, 2013, No. 195.

The general governance of state anti-dumping control over the trade practice of dumping goods vendors is effectuated by the Government of the Kyrgyz Republic in accordance with the Law of the Kyrgyz Republic “On anti-dumping”, dated October 31, 1998 No. 139.

The subject of anti-dumping proceeding is the deliveries of goods to the customs territory of the Kyrgyz Republic for free circulation at the prices lower than their normal value, causing damage or threatening to damage domestic producers of such goods.

A commodity shipped from another country to the Kyrgyz Republic at the price lower than its usual value, is deemed as dumping, if export price of such commodity is lower than the price, established in the process of usual trade operations to such commodity, intended for consumption in exporting and/or manufacturing country, while the quality of commodity corresponds to the quality of commodity produced by local manufacturers.

The anti-dumping laws of the Kyrgyz Republic stipulate anti-dumping proceeding, the procedure of identifying dumping etc.

14. Monetary Control

The Law of the Kyrgyz Republic “On operation in foreign currency” dated July 5, 1995 No. 6-I. establish, that monetary obligation must be denominated and paid in the national currency. The use of foreign currency, as well as payment documents in foreign currency in the settlements under monetary obligation, on the territory of the Kyrgyz Republic is allowed in the cases and in the manner, established by laws.

The procedure of effectuating operations in foreign currency is regulated by the Law of the Kyrgyz Republic “On operations in foreign currency”.

The above law doesn't limit the following:

- transfer of foreign currency abroad and from abroad;
- import and export of currency subject to its declaration at customs check point;
- exchange operations with the national and foreign currency;
- one-time exchange operations between the national and foreign cash currency;
- current payments, current inflows and transfers of capital abroad and from abroad.

Residents and non-residents are entitled to buy and sell foreign currency without limitation and unreasonable delays in authorized banks and exchange offices.

Operation in foreign currency with individuals and legal entities, effectuated on professional basis, may only be effectuated by authorized banks, exchange offices, credit unions, specialized financial lending institutions, microfinance and microcredit companies based on the license of the Bank of Kyrgyzstan. The list of operations in foreign currency is determined by the laws of the Kyrgyz Republic.

The Bank of Kyrgyzstan is entitled to limit the transfers of funds, for the purpose of the Kyrgyz Republic complying with international obligations, stipulated in the UN Charter.

15. Immovable property

In accordance with the Civil Code of the Kyrgyz Republic, immovable items include land plots, subsurface areas, separate water sites and everything that is inseparable from land, i.e. the

sites the transfer of which is impossible without the damage incommensurate with their purpose, including forests, perennial plantings, buildings, structures etc.

15.1. Foreign ownership of land

In accordance with the Land Code of the Kyrgyz Republic it is not allowed to provide and transfer into ownership agricultural lands to foreign persons.

If a foreign entity has been transferred land plot under universal succession, within one year from the day when title to land plot has arisen, it must alienate it to the citizen of the Kyrgyz Republic.

Foreign persons and foreign legal entities may be provided with land plots within the limits of population centers (cities, villages, rural settlements) based on the right of fixed term (temporary) use or transferred to the ownership in case of enforcement under mortgage loan in accordance with the Law of the Kyrgyz Republic “On pledge”.

Foreign persons may be provided with land plots outside population centers, save for agricultural lands and lands allotted for subsurface use, based on the rights of fixed term (temporary) use by the Government of the Kyrgyz Republic. In other cases lands outside population centers are provided, transferred to foreign persons under universal succession for fixed term (temporary) use.

Lands for subsurface use are provided to foreign persons in the same manner as to the subsurface users that are the citizens of the Kyrgyz Republic.

Foreign citizens, individuals without citizenship and foreign legal entities, may not be provided with the land plots located on border territories based on the rights of fixed term (temporary) use.

Foreign banks and specialized financial lending institutions have the title of ownership over the agricultural lands for three years in case of enforcement of agricultural land plot.

16. Dispute Resolution

Civil Procedure Code of the Kyrgyz Republic stipulates that foreign citizens and individuals without citizenship, foreign legal entities and international organization have a right to address courts of the Kyrgyz Republic for the protection of their violated or contested rights, freedoms and interested safeguarded by law.

Foreign individuals enjoy procedural rights and perform procedural obligations together with the individuals and legal entities of the Kyrgyz Republic.

In accordance with the laws of the Kyrgyz Republic, the enforcement of awards, rulings and judgments under civil, economic and administrative affairs, sentences, orders and judgments under criminal cases pertaining to property enforcement is performed by officers of court.

In addition, the International Court of Arbitration under the Chamber of Commerce and Industry of the Kyrgyz Republic operates on the territory of the Kyrgyz Republic. The laws in force that regulate the activities of arbitration courts and procedures of arbitration correspond to the international law provisions.

Parties may enter into arbitration agreement on submitting all or certain disputes that have arisen or that may arise between them due to civil relations to arbitration court, regardless of whether those are of contractual nature or not. Arbitration agreement may be formalized in the

form of arbitration clause in agreement, which forms an integral part of such agreement, or may be concluded as a separate agreement.

The recognition and enforcement of foreign court judgments and arbitration awards by the courts of the Kyrgyz Republic is established by the Civil Procedural Code of the Kyrgyz Republic, pursuant to which foreign awards are recognized and enforced in the Kyrgyz Republic if it is stipulated by the laws or international treaties of the Kyrgyz Republic or based on reciprocity principle.

Foreign awards mean the judgments under civil cases, including the cases under economic disputes and other cases, related to entrepreneurial and other economic activities, sentences under the cases pertaining to the compensation of damage caused by crime. As for foreign arbitration courts and international arbitration courts it is established that the recognition and enforcement of their awards is applied the same provisions, as the enforcement of foreign court judgments.

The Kyrgyz Republic is a signatory to the UN Convention on the recognition and enforcement of foreign arbitration awards (“the New York Convention”). Please note that the Kyrgyz Republic has signed New York Convention without any assumptions, meaning that any foreign arbitration award made in any state is subject to recognition and enforcement in the Kyrgyz Republic, provided that there are no grounds stipulated by the New York Convention to refuse in recognition and enforcement of the arbitration award.

17. Pledge and Enforcement

Pledge relations are regulated by the Law of the Kyrgyz Republic “On pledge” dated March 12, 2005 No. 49. Pledge is a method to secure the performance of monetary or denominated as monetary obligation, secured with ownership title or any other proprietary right to asset. Based on pledge a lender under obligation secured with pledge (pledgee) is entitled to get satisfaction of its claims from the value of pledged property in priority to other pledgor’s lenders in case of non-performance or undue performance by debtor of its obligations. On the same basis, pledgee has a right to the satisfaction of its claims from insurance proceeds for the loss or damage of pledged property regardless of payee, unless such loss or damage has occurred due to the fault of pledgee.

Pledge arises based on law or agreement, concluded between pledger and pledgee in accordance with the provisions of the Civil Code of the Kyrgyz Republic and the Law “On pledge”. Such agreement may be a separate agreement or a part of agreement that causes obligation secured by pledge to arise.

Pledgee exercises its rights in accordance with the conditions, stipulated in pledge agreement. Pledge may secure the performance of any obligation that is valid under the law, between any entity (individuals and/or legal entities, states). Pledge may be in the form of pledge with the transfer of pledged item to pledgee (possessory charge), pledge with pledger retaining the pledged item and pledge of rights.

Foreign individuals and legal entities, as well as persons without citizenship, enjoy the same rights and bear the same responsibilities in the relations under pledge as the individuals and legal entities of the Kyrgyz Republic, taking into account certain specifics stipulated in the laws of the Kyrgyz Republic.

17.1. Registration of immovable property mortgage

The state registration of immovable property mortgage and rights arising out of security agreement, is effectuated by the competent state authority for the registration of rights to immovable property. Such state authority maintains the Unified state register of rights to immovable property.

Registration is effectuated in local registration authority at the location of immovable property.

17.2. Registration of movable property pledge.

Save for possessory charges, all movable property pledges that secure the obligations that exceed 300 specified rates, are subject to mandatory registration with the Pledge registration office.

Pledges that secure obligations in the amount of up to 300 specified rates may be registered with the Pledge registration office if parties are willing to do so.

Specified rate – a normative monetary indicator used to establish the amounts of social payments, compensations, economic sanctions, administrative sanctions and penalties, other economic indicators, not related to salary payment⁸. Specified rate is equal to KGS 100, which is approximately 2 USD.

Pledge registration is effectuated with a view to grant pledgee a priority right to satisfy its claims as compared with other lenders that don't have a prior registered pledge.

The pledge in the form of monetary and credit instruments, corporate securities is registered by the bodies that are authorized to maintain the register of such instruments and securities holders⁹.

17.3. Pledge enforcement

In case of non-performance or undue performance by debtor of obligation secured by pledge, pledged property may be enforced to satisfy lenders' claims.

The grounds for pledged property enforcement are the violations of payments terms, non-performance by debtor of pledgee's requirements on acceleration of obligation secured with pledge.

Lender has a right to request obligation acceleration if its claims are not satisfied; lender is entitled to enforce pledge in the following cases:

- violation by pledger of rules applicable to the disposal of pledge item or if pledged item has retired from pledger's possession;
- violation by pledger of rules applicable to replacement or recovery of pledge;
- loss of pledged item due to circumstances, for which pledger is not responsible, if pledger hasn't used the right to replace or recover pledged item;
- violation by pledger of rights regarding subsequent pledge;
- violation by pledger of responsibilities applicable to maintenance and safety of pledged item;

⁸ Art. 1 of the Law of the Kyrgyz Republic "On specified rate" dated January 27, 2006 No. 13

⁹ Art. 21 of the Law of the Kyrgyz Republic "On pledge" dated March 12, 2005 No. 49

- violation by pledger of obligations to warn pledgee on the rights of third persons over pledged item;

- in other cases, stipulated by the law or security agreement, or any other agreement that establishes pledge.

The Enforcement of pledged property may be effectuated judicially or extra-judicially.

17.4. Extrajudicial procedure.

Extra-judicial pledge enforcement is effectuated based on:

- pledge agreement or agreement that contains conditions on the procedure on extra-judicial enforcement of pledge item regarding movable property;

- notarized agreement between pledger and pledgee on the procedure of extra-judicial pledge enforcement regarding immovable property, concluded at the same time as security agreement or any other agreement that establishes mortgage by operation of law was concluded, and forming its integral part, or concluded within the period of validity of security agreement or any other agreement that establishes mortgage by operation of law;

- notary's executory endorsement if security agreement or any other agreement that establishes mortgage by operation of law states the right of pledgee to enforce pledged item extra-judicially.

If agreement, concluded between pledgee and pledger establishes extra-judicial enforcement of pledge, no party may change enforcement procedure unilaterally or otherwise refuse from the pledge enforcement procedure established by agreement.

Therewith, after the grounds to enforce pledged item arise, parties are entitled to stipulate any pledge extra-judicial enforcement procedure other than the one initially determined by security agreement, in an additional agreement.

17.5. Judicial enforcement.

Pledge may be enforced based on court judgment.

Judicial pledge enforcement is effectuated provided that security agreement or contract doesn't contain any conditions on extra-judicial enforcement, and if pledged property is referred in the manner established by laws to the property that has great historical, artistic or any other cultural significance for society.

The action to enforce pledge is submitted to, and case is considered by, the court at the location of pledged property. Pledgee must provide to the court the evidences that pledger was dispatched notice on pledge enforcement.

17.6. Enforcement procedure.

In order to commence extra-judicial or judicial enforcement procedure pledgee must:

- make a notice on the commencement of pledge enforcement procedure;

- if pledged item was subject to registration, register such notice with the authority(ies), that effectuated the state registration of pledge;

- deliver written notice to debtor (and pledger, if other person). If it proves impossible to directly deliver notice to debtor (and pledger) it is sent by registered mail to the addresses specified in agreement and/or transferred by fax;

- send the copy of notice to pledgees of prior and subsequent pledges, save for the cases when pledgees are one person.

In its turn, after notice is received, pledger must satisfy the requirements of pledgee and terminate obligations that became the cause for the notice. The procedure of initiating pledge enforcement is terminated if pledger has fulfilled all the above conditions.

After notice is received, pledger is entitled to enter into agreement with pledgee on the satisfaction of its claims extra-judicially, submit request to court to have judicial pledge enforcement and sale procedure, if extra-judicial pledge enforcement procedure is not stipulated in security agreement and/or agreement on the satisfaction of claims or arbitration agreement; in addition, if dispute exists, take actions to settle it without bringing it to court or address court with the request on the revocation of notice by pledgee.

The laws of the Kyrgyz Republic stipulate the specifics of enforcing certain types of pledged property, including pledged enterprise, residential house or apartment and agricultural land plots.

17.7. Claims among secured and unsecured lenders

The property pledged under security agreement to secure the performance of one obligation (prior pledge), may be pledged to secure another obligation (subsequent pledge).

The requirements of subsequent pledgee are satisfied from the value of pledge item after the claims of prior pledgee are satisfied, unless the prior pledgee that has a pre-emptive right, has agreement with subsequent pledgee stating otherwise in writing.

The requirements of secured lenders are satisfied in a prioritized way to other lenders within the amount, received from the sale of pledge.

17.8. Choice of law and court

Parties may stipulate arbitration clause in security agreement stating the transfer of all or certain disputes that may arise between them in connection with pledge relations for the consideration of arbitration court. Arbitration agreement may be also formalized by separate agreement. Conditions and procedures of concluding arbitration agreement are stipulated by the relevant law.

Pursuant to the civil laws on the application of international and private law provisions to civil relations, agreement is regulated by the law of the country, selected by parties' agreement, unless otherwise stated in the laws. If there is no parties' consensus regarding law applicable to this agreement, the law of the country where the pledger in pledge agreement is established, domiciled or has principal office is applied to such agreement.

18. Telecommunication and E-Commerce

In the Kyrgyz Republic, telecommunications are governed by the Law "On television and radio broadcasting", the Law "On electric communication and postal service", the Law "On legal protection of integrated circuit topographies".

The state communication agency under the Government of the Kyrgyz Republic is a state executive authority that regulates electric communication and postal service, including the use of radio frequency spectrum.

The state communication agency has such powers as the issue of licenses, permits for the use of radio frequencies, issue of permits for the import and operation of radio electronic equipment and high frequency equipment, certification and recognition of certification regarding telecommunication equipment, supervision over the performance of laws and licensing conditions and requirements, approval of tariffs applicable to the services of electric communication rendered by monopolistic operators, as well as ensuring the regular operation of communication sphere.

E-commerce in the Kyrgyz Republic is developing and spreading each year. The comprehensive legislative base on e-commerce has not yet been established. The legislation of the Kyrgyz Republic contains the Law “On electronic payments”. Such law establishes the legal status of electronic payments and is designed to regulate the relations that arise in the process of effectuating electronic payments in the Kyrgyz Republic. Moreover, the Regulation of licensing the provision of payment services with e-money in the form of prepaid cards, which stipulates that e-money may only be issued by FLIs (acquirer) and non-bank institutions, which meet the relevant requirements of the National Bank of the Kyrgyz Republic and have NBKR license entitling to provide e-money payment services.



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