

Kyrgyzstan

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Kyrgyzstan	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering
<p>Major Investment Areas:</p> <p>Agriculture - products: tobacco, cotton, potatoes, vegetables, grapes, fruits and berries; sheep, goats, cattle, wool</p> <p>Industries: small machinery, textiles, food processing, cement, shoes, sawn logs, refrigerators, furniture, electric motors, gold, rare earth metals</p> <p>Exports - commodities: gold, cotton, wool, garments, meat, tobacco; mercury, uranium, electricity; machinery; shoes</p> <p>Exports - partners: Uzbekistan 28.8%, Kazakhstan 22%, Russia 14.6%, China 7%, UAE 6.3%, Afghanistan 5.7% (2012)</p> <p>Imports - commodities: oil and gas, machinery and equipment, chemicals, foodstuffs</p> <p>Imports - partners: China 55.9%, Russia 17.7%, Kazakhstan 6.4% (2012)</p>	

Investment Restrictions:

The Kyrgyz Republic is open to foreign direct investment and the government publically recognizes that foreign direct investment is an important component to growing the economy. Laws exist that make the investment climate more favorable, than previously, for foreign companies. Application of these laws, however, is inconsistent, which can cause problems for and deter foreign investors. In addition, government activities, including constant renegotiation of operating contracts that were legally concluded, commissioning invasive and time consuming audits, levying large retro-active fines, and disputes over licenses are impediments to foreign investment.

Foreign ownership of land is prohibited,

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Section 1 - Background

A Central Asian country of incredible natural beauty and proud nomadic traditions, most of Kyrgyzstan was formally annexed to Russia in 1876. The Kyrgyz staged a major revolt against the Tsarist Empire in 1916 in which almost one-sixth of the Kyrgyz population was killed. Kyrgyzstan became a Soviet republic in 1936 and achieved independence in 1991 when the USSR dissolved. Nationwide demonstrations in the spring of 2005 resulted in the ouster of President Askar AKAEV, who had run the country since 1990. Subsequent presidential elections in July 2005 were won overwhelmingly by former prime minister Kurmanbek BAKIEV. Over the next few years, the new president manipulated the parliament to accrue new powers for himself. In July 2009, after months of harassment against his opponents and media critics, BAKIEV won re-election in a presidential campaign that the international community deemed flawed. In April 2010, violent protests in Bishkek led to the collapse of the BAKIEV regime and his eventual fleeing to Minsk, Belarus. His successor, Roza OTUNBAEVA, served as transitional president until Almazbek ATAMBAEV was inaugurated in December 2011. Continuing concerns include: the trajectory of democratization, endemic corruption, poor interethnic relations, and terrorism.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Kyrgyzstan is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Date: 27 June 2014

The FATF welcomes Kyrgyzstan's significant progress in improving its AML/CFT regime and notes that Kyrgyzstan has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2011. Kyrgyzstan is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Kyrgyzstan will work with EAG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Kyrgyzstan was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Kyrgyzstan was deemed Compliant for 5 and Largely Compliant for 9 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

IMF Report: Kyrgyz Republic: Second Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria (May 2012)

Extract:

With Fund assistance the authorities are preparing an action plan to strengthen the anti-money laundering and combating the financing of terrorism (AML/CFT) regime (LOI 12). The Fund's TA will focus on reviewing the legal framework and assisting the State Financial Intelligence Service (SFIS) and other relevant agencies in reinforcing their functions and bilateral coordination. The authorities will submit amendments to the AML/CFT law and to the relevant provisions of the Criminal Code to the parliament to strengthen the AML/CFT legal framework by end-September 2012 (structural benchmark).

Kyrgyz Republic is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

While the Kyrgyz Republic is not a regional financial center, a large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. In 2017, known remittances from migrant workers comprised nearly 34 percent of GDP. A significant portion of remittances enter through informal channels or is hand-carried to the country from abroad. The banking system in the Kyrgyz Republic is recognized as a reliable partner for foreign banks and other financial institutions.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Absent exact figures, it appears narcotics trafficking is the main source of criminal proceeds, as the country sits along the transit route from Afghanistan to Russia and beyond. Additionally, the smuggling of consumer goods, tax and tariff evasion, and official corruption also serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk-cash couriers, and unregulated value transfer systems. Resource constraints, inefficient financial systems, and corruption serve to stifle efforts to effectively combat money laundering.

KEY AML LAWS AND REGULATIONS

The Law on Combating Money Laundering and Terrorism Financing came into force in the Kyrgyz Republic in 2006 and a number of amendments were subsequently adopted.

The Kyrgyz Republic has comprehensive KYC and STR regulations. STR covered entities include banks; financial organizations; credit unions; insurance organizations; professional participants of equity markets; mortgage companies; retirement asset management companies; leasing companies; persons providing funds or values transfer, including a specialized system of money transfers without opening an account; persons engaged in the purchase, sale, or conversion of foreign currency on a professional basis; pawnshops/buyer companies; commodity exchanges; non-financial commercial organizations; persons organizing and conducting lotteries; private pension funds; organizations engaged in real estate transactions or real estate brokerages; persons carrying out operations with precious metals and precious stones, including jewelry and waste products; persons carrying out monetary or property operations and/or transactions; persons providing trustee services, including trust companies; and post/telegraph organizations providing money transfers.

KYC covered entities include banks, credit institutions, stock brokerages, foreign exchange offices, insurance companies, notaries, attorneys, regulators, tax consultants and auditors, realtors, the State's property agency, trustees, jewelry stores and dealers, and customs officers.

Gambling was prohibited by the Government of the Kyrgyz Republic in 2015.

There is no records-exchange mechanism in place with the United States nor is one under negotiation. In 2017, the FIU signed international cooperation agreements with Monaco, Panama, and Israel on exchanging information on money laundering and terrorism financing.

The Kyrgyz Republic is a member of the EAG, a FATF-style regional body.

AML DEFICIENCIES

Amendments to the AML law in July 2015 expand the list of entities required to report STRs but remove notaries from the list. The current AML law has due diligence only for foreign PEPs. The President signed a new Criminal Code and Criminal Procedure Code in December 2016; the new Criminal Code will introduce criminal corporate liability in 2019.

The government has substantially addressed its action plan to correct noted deficiencies, by adequately criminalizing money laundering and terrorism financing; instituting adequate measures for the confiscation of funds related to money laundering; and strengthening customer due diligence requirements.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2016, the FIU drafted a new AML law in which the FIU tried to follow all international standards and definitions, but in 2017, the Parliament withdrew the document for revision. The FIU is working on a new draft and will resubmit it in 2018.

The Kyrgyz Republic is not subject to any U.S. or international sanctions or penalties. There are no known refusals to cooperate with foreign governments.

In 2016, the FIU started publishing quarterly and annual reports on its web site. These reports are public and available for download. In 2017, the FIU published a brief report on the evaluation of money laundering and terrorist financing risks. In 2016, five employees from the FIU attended an international financial investigative course.

According to FIU 2017 data (second quarter), the FIU conducted 52 financial investigations on money laundering, out of which seven cases were sent to law enforcement bodies; however, data on prosecutions and convictions is not available.

The United States lacks a bilateral extradition treaty or MLAT with the Kyrgyz Republic. Cooperation takes place under the UN law enforcement multilateral conventions, to which the Kyrgyz Republic is also a signatory, including the 1988 UN Drug Convention.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Kyrgyzstan does not conform with regard to the following government legislation: -

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a "safe harbour" defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

Kyrgyzstan is not on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Kyrgyzstan is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017

Introduction

The Kyrgyz Republic lies along a significant transit route for illegal drugs moving north from Afghanistan to Russia and beyond. Illicit drugs are often smuggled into the country from Tajikistan across un-demarcated borders. The Kyrgyz Republic's geographic location, limited resources, and weak criminal justice system make it a prime transshipment location. The State Service on Drug Control (SSDC) has been the entity responsible for overall drug control functions since 2011. On July 4, 2016, the government announced plans to merge the SSDC with the Ministry of Internal Affairs (MVD), ending its existence as an independent agency. According to the government, SSDC's merger with the MVD is part of a broader reform strategy to counter corruption and correct ineffective work practices within law enforcement entities.

Conclusion

The Kyrgyz Republic's need for international drug control cooperation is likely to continue given the lack of resources within Kyrgyz law enforcement institutions. The United States and other international partners are waiting for additional information on the redefined roles and responsibilities of law enforcement organizations from the Kyrgyz government.

US State Dept Trafficking in Persons Report 2014 (introduction):

Kyrgyzstan is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The Kyrgyz Republic (or Kyrgyzstan) is a source, transit, and destination country for men, women, and children subjected to forced labor, and for women and children subjected to sex trafficking. Adult male labor migrants working abroad are reportedly at the highest risk of trafficking. Kyrgyz men, women, and children are subjected to forced labor in Russia and Kazakhstan, and to a lesser extent in Turkey and other European countries, as well as within Kyrgyzstan, specifically in the agricultural, forestry, construction, and textile industries and in domestic service and forced childcare. Kyrgyz children are also subjected to forced labor in cotton, the selling and distribution of drugs within the country, and hauling cargo both in Kyrgyzstan and neighboring countries. Women and girls are subjected to sex trafficking abroad, reportedly in Turkey, the United Arab Emirates (UAE), India, Russia, Kazakhstan, South Korea, and within the country. Kyrgyz police officers allegedly exploit female trafficking victims, including some younger than age 18, for sex both in saunas and on the street. Concerns persist about police misconduct and corruption, including allegations that police threaten and extort sex trafficking victims, including minors, and reports that police accept bribes from alleged traffickers to drop cases. Street children who engage in begging and children engaged in domestic work (often in the homes of extended family members) are

vulnerable to human trafficking. Women and underage teenaged girls from Uzbekistan are increasingly subjected to sex trafficking in southern Kyrgyzstan. Some men and women from Uzbekistan, Tajikistan, and Turkmenistan transit the country as they migrate to Russia, the UAE, and Turkey, where they may become victims of sex and labor trafficking. International organizations and NGOs reported some Kyrgyz individuals who join extremist fighters in Syria are forced to remain against their will and recruiters may deceive others, including minors, promising jobs in Turkey, before extremist groups force them to fight, work, or suffer sexual servitude in Syria.

The Government of Kyrgyzstan does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. A June 2015 parliamentary report provided the first evaluation of government anti-trafficking efforts in a decade and provided recommendations for improvements. As a result, ministries have formed an interagency platform to begin inter-ministerial communication on trafficking and initiated the development of victim identification guidelines for front-line officials. Additionally, in 2016, Parliament established a working group, which is focused on bringing anti-trafficking legislation in line with international standards. Further, the Ministry of Internal Affairs (MVD) has begun playing a significant role in publicly highlighting trafficking in persons problems and advocating government-wide changes to better address them. However, the government failed to address alleged complicity in trafficking and trafficking-related offenses, despite a 2013 report by the UN special rapporteur on the sale of children, child prostitution, and child pornography that concluded there was serious and endemic corruption of police officers, who allegedly participated themselves in the detention and rape of child sex trafficking victims. In addition, authorities reported fewer prosecutions and convictions of traffickers in 2015.

US State Dept Terrorism Report 2016

Overview: The Kyrgyz Republic's counterterrorism strategy continued to focus on rooting out existing violent extremists, countering the spread of violent extremism, limiting the flow of Kyrgyz national foreign terrorist fighters, and preventing those returning from conflicts abroad from engaging in terrorist activities. While the Kyrgyz Republic is seriously concerned about ISIS and other regional terrorism threats, it has not contributed to Global Coalition to Defeat ISIS efforts, due largely to a lack of resources. The Kyrgyz Republic also has not provided assistance to U.S. counterterrorism operations, although it has continued to cooperate with the United States on counterterrorism and countering violent extremism (CVE) efforts via a number of exchanges, trainings, and programs. The Kyrgyz Republic actively participated in the C5+1 regional cooperation framework between the United States and the Central Asian countries (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), which includes a program related to CVE.

While terrorist attacks remained rare, the August 30 suicide bombing against the Chinese Embassy in Bishkek, the discovery of improvised explosive devices (IEDs) in the capital, and multiple reports of "extremist"-related arrests, underscore the ongoing terrorist threat facing the Kyrgyz Republic. The Kyrgyz State Committee for National Security (GKNB) and Ministry of Internal Affairs (MVD) conducted dozens of raids targeting individuals suspected of affiliation with banned "extremist" groups or recruitment activities. The government restricts public

information on national security issues, making it difficult to assess the efficacy of its counterterrorism operations and the wider extent of the threat.

The Kyrgyz Republic remained vulnerable to transnational threats, especially in the remote south, where boundary issues with Tajikistan and Uzbekistan and porous borders could facilitate the establishment of terrorist safe havens. People and illicit goods continued to move relatively freely into and out of the country. According to GKNB statistics, approximately 600 Kyrgyz citizens, including 100 women, have left the country to join ISIS or other terrorist groups. Most experts believe the true number is higher. According to government estimates, approximately 70 percent of Kyrgyz citizens fighting in Iraq and Syria are ethnic Uzbeks.

Legislation, Law Enforcement, and Border Security: The Kyrgyz Republic has two primary laws that govern counterterrorism operations. The “Law on Countering Terroristic Acts,” defines terrorism and provides the MVD and GKNB the authority to identify terrorist threats and prevent attacks. The “Law on Countering Money Laundering,” addresses terrorist financing. Kyrgyz law criminalizes activities that support terrorism, extremism, and radicalization if the activities threaten public security, recruit individuals, or include children and has specific provisions targeted at foreign terrorist fighters. In August, the president signed into law an amendment that allows deprivation of citizenship for Kyrgyz citizens convicted of receiving terrorist training abroad and/or participating in armed conflict abroad. The government also added two new counterterrorism articles to the criminal code. One article criminalized taking under-aged children to conflict zones; the other criminalized public endorsement of “extremist” activity, which now carries a maximum three-year prison sentence. There were no reports in 2016 of the government using counterterrorism laws to prosecute political opponents.

The MVD 10th Department and the GKNB are the lead counterterrorism agencies in the Kyrgyz Republic. The GKNB-led Counterterrorism Center has demonstrated the ability to quickly react to bomb scares or other potential terrorist threats, but overall, Kyrgyz security services face capacity issues, are overly bureaucratic, and struggle with corruption, thus limiting their capacity to counter threats. The government does not maintain a terrorist screening watch list or have biographic or biometric screening capabilities at ports of entry. Information sharing with other countries occurs rarely and usually only by request in the context of corruption or organized crime investigations. The government does not collect advance passenger records on commercial flights.

There were reportedly dozens of counterterrorism operations in the Kyrgyz Republic in 2016. Most were small operations that resulted in arrests of suspected extremists due to their possession of “extremist” materials. There were at least 10 significant operations targeting suspected terrorists, however. These operations reportedly resulted in the arrest of 17 terrorist suspects, including four foreigners, and the death of one suspect. At least seven of the detained men reportedly received terrorist training abroad. In five of the operations, law enforcement agencies seized firearms, ammunition, bomb-making materials, grenades, and IEDs. The GKNB claimed that at least three of these operations disrupted planned terrorist attacks. On September 20, the GKNB control-detonated two IEDs near a shop in Bishkek. It was not clear if this incident was linked to terrorist or criminal activity.

Impediments to more effective Kyrgyz law enforcement activity against terrorism included interagency rivalries, a lack of coordination between the GKNB and MVD, and budgetary constraints. Inefficient Soviet-era bureaucratic structures, corruption, low salaries, and frequent personnel turnover also hampered law enforcement efforts. Counterterrorist police units were still largely untested in real-life situations.

Kyrgyz law enforcement continued to participate in the Department of State's Antiterrorism Assistance program, receiving capacity-building training in border security and other counterterrorism-related skill sets.

Countering the Financing of Terrorism: The Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force (FATF)-style regional body. The State Financial Intelligence Service, the country's financial intelligence unit, is a member of the Egmont Group of Financial Intelligence Units.

The government passed an amendment to the country's anti-money laundering/countering the financing of terrorism law in August 2016 that criminalizes the financing of terrorism and imposes stricter sanctions against those committing terrorism-related offenses in accordance with international standards. The Kyrgyz Republic also follows most international financial industry requirements related to monitoring and regulating money transfers, and in 2016 the government signed more than eight international cooperation agreements on exchanging information on money laundering and terrorist financing.

The Kyrgyz Commission on Combating Financing of Terrorism (CFT) was largely inactive in 2016. While the Kyrgyz Republic has adopted regulations to implement UN Security Council resolution 1373 and the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime, mechanisms for effective implementation of these resolutions have not been fully established. There were no reports in 2016 indicating that the government pursued any terrorist finance cases, or identified or froze any terrorist assets. The Kyrgyz government's CFT efforts are hampered by multiple factors, including but not limited to, resource constraints, underdeveloped procedures for investigation and enforcement, and lack of interagency cooperation and information sharing.

International Sanctions

None applicable

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	29
World Governance Indicator – Control of Corruption	12

Corruption is pervasive throughout all sectors in Kyrgyzstan; bribery is a common part of doing business. Apart from petty corruption, businesses are likely to experience favoritism and political interference. Recently, several reforms have been undertaken by the government, but a corrupt judiciary undermines their effectiveness. Kyrgyz anti-corruption efforts are growing but remain inadequate. Active and passive bribery are criminalized; however, enforcement of anti-corruption legislation overall is lacking. **Information provided by GAN Integrity.**

US State Department Report

Corruption remains a serious problem at all levels and in all sectors of Kyrgyz society and the economy. According to the Transparency International Corruption Perception Index, in 2013 the Kyrgyz Republic ranked 150th out of 177 countries surveyed. Kyrgyz politicians and citizens alike are aware of the systemic corruption, but the problem is deeply entrenched and difficult to fight. Moreover, many in the Kyrgyz Republic view paying of bribes as the most efficient way to receive government assistance and many, albeit indirectly, gain benefits from corrupt practices.

The Kyrgyz Republic is a signatory of the UN Anticorruption Convention but not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The Kyrgyz Government announced a number of initiatives to fight corruption. Current President Almazbek Atambayev established an anticorruption service within the State Committee on National Security. The service has taken action against a limited number of ministers and parliamentarians. The Kyrgyz Government encourages all companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials, but not all companies have effective internal controls. The Kyrgyz Republic has laws that criminalize giving and accepting a bribe, with penalties ranging from a small administrative fine to a prison sentence, but the government’s active enforcement of these laws is uneven. While, at times, senior government officials take anticorruption efforts seriously, a truly serious, sustained effort would probably result in more consistent enforcement of the existing laws.

Businesses operating in the Kyrgyz Republic will encounter some or all of these experiences. The Government of the Kyrgyz Republic issues special license plates to foreign business owners, which the police target for regular stops. Foreign businesses may also find themselves

the subject of frequent tax audits or a variety of inspectors consistently visiting their establishments. Each experience opens the door for bribery.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines rule of law.

It is important for U.S. companies, regardless of their size, to assess the business climate in the relevant sector in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the Kyrgyz Republic and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by upholding their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies.

Corruption and Government Transparency - Report by Global Security

Political Climate

Kyrgyzstan has experienced a period of changes in the political landscape in recent years, and despite governmental efforts to make the fight against corruption the top priority of the administration, the country's environment remains unstable. Debates about the checks and balances of democratic institutions have been on-going since Kyrgyzstan's Tulip Revolution in 2005. Government opposition groups became increasingly invigorated, holding mass protests and calling for reforms and stronger measures to fight corruption and crime, while former President Bakiyev, himself, was accused of nepotism. The Bakiyev Administration was generally perceived to have had a poor record of fighting corruption, according to the Bertelsmann Foundation 2012. While occasionally an obscure public servant was sacked for abuse of office, no legal prosecution of any high-level figure is known to have taken place. Independent observers have criticised Bakiyev and his government, voicing complaints regarding the ongoing accumulation of power and illicit wealth by Bakiyev's family members. In February 2013, Bakiyev and his sons were finally prosecuted and sentenced to long prison terms for corruption and abuse of office.

In the October 2011 presidential elections, former Prime Minister Almazbek Atambayev won a landslide victory with more than 60% of the vote, becoming the President of Kyrgyzstan in December 2011. In February 2012, Atambayev and his government adopted the new State Anti-Corruption Strategy aimed at improving monitoring and supervision of the anti-corruption policy implementation in Kyrgyzstan. The Strategy also includes recommendations

on the development of specific action plans for various institutions of judicial, executive, and legislative branches. According to Transparency International's Global Corruption Barometer 2013, 20% of surveyed Kyrgyz households perceive that corruption has increased a lot over the past two years, and 45% reported to have paid a bribe within the last year. Furthermore, 68% believe that the government's actions to fight corruption are ineffective.

According to an evaluation by the US Department of State 2013, corruption remains endemic at all levels of society in Kyrgyzstan. The law provides criminal penalties for official corruption, but the law has not been effectively enforced, and officials continue to engage in corrupt practices with impunity, as well as the payment of bribes to avoid investigation or prosecution. The interim government took limited steps to address the problem, including arrests of government officials on corruption charges. In order to address public discontent with anti-corruption efforts in the country former President Rosa Otunbayeva signed a decree in September 2010 requiring polygraph testing for a number of public institutions to ensure recruitment of 'clean' state employees. This included government officials at the Financial Police, the Customs Service, the Tax Service, as well as competitive selection and certification of state secretaries of state bodies. Moreover, the public advisory councils formed by Otunbayeva with the help of international donors in 2011, and the decentralised political system have increased transparency in most government structures, according to Freedom House 2013. Given a political environment rife with political uncertainty and corruption, business executives surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 reveal that the level of public trust in politicians is relatively low.

Business and Corruption

Despite Kyrgyzstan's solid economic growth up to 2009, a lack of transparency, corruption, and the inconsistent and selective enforcement of laws have hindered the country's economic development. According to Bertelsmann Foundation 2012, the main constraint on healthy business competition and liberalised foreign trade in the country is corruption. This is supported by the World Economic Forum's Global Competitiveness Report 2013-2014, in which the companies surveyed ranked corruption as the most problematic factor for doing business in Kyrgyzstan, after government instability. Nevertheless, while Kyrgyz entrepreneurs agree that informal 'taxes' solicited by officials have disappeared and that the overall level of corruption has also decreased, businessmen still find that petty corruption is fairly common when dealing with the state bureaucracy, according to Freedom House 2013.

The World Economic Forum's Global Competitiveness Report 2013-2014 also reveals that Kyrgyzstan performs poorly in relation to the ethical behaviour of companies in interactions with public officials, politicians, and other companies, and that public funds are often diverted to companies, individuals, or groups due to corruption. For these reasons, companies are recommended to use a specialised public procurement due diligence tool in order to mitigate corruption risks related to public procurement in Kyrgyzstan. The US Department of State 2013 reports that foreign investors operating in the country regularly suffer from a simple lack of knowledge about the complex Kyrgyz business environment and related procedures. Well-connected local companies are able to exploit their contacts to achieve their business aims. Given this environment, it has become a common practice for foreign investors to form joint ventures with local Kyrgyz partners, in order to facilitate market

entry and business transactions. However, companies can be held legally liable for corrupt acts performed by their partners, highlighting the need for companies to develop, implement, and strengthen integrity systems and to exercise due diligence when planning to do or already doing business in Kyrgyzstan. According to Transparency International's Global Corruption Barometer 2013, corruption within the business and private sector is perceived to be pervasive, with approximately half of all respondents evaluating it as 'extremely corrupt'.

The absence of a coherent legal framework for business development is also a deterrent for investment. Contradictory laws, such as those on establishing companies, obtaining business licences, and securing credit, create the opportunity for public officials to extort bribes. According to the US Department of State 2013, corruption related to taxes and tax audits are reported by companies to be among their most severe problems for conducting business. According to Enterprise Surveys 2009, almost half of the surveyed companies expect to make informal payments to get things done, which is more than twice the regional average and indicates that bribes and facilitation payments are widespread. Standard business operations, like getting paperwork done, either for companies or private individuals, normally require unofficial payments to officials in order to show gratitude. Facilitation payments are widespread in Kyrgyzstan and are extensively used by foreign companies to achieve benefits when starting and registering business in the country, according to the US Department of State 2013. Trading across borders, paying taxes, and obtaining licences for standard business operations are highlighted as some of the largest obstacles in terms of administrative rigidity.

Regulatory Environment

The Kyrgyz legal and regulatory environment is still developing and remains highly bureaucratic, inconsistent and fraught with corruption, while the size of the informal economy has been estimated at some 50% of the country's GDP, and has reached over USD 26 billion in recent years, according to the Bertelsmann Foundation 2012. The World Bank & IFC Doing Business 2013 identify a negative change in rank on the ease of doing business in Kyrgyzstan, due to complexity of the tax code reforms. Similarly, business executives surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 perceive government administrative requirements to be quite burdensome. Moreover, business executives also report that government policy-making is fairly opaque and that government officials usually favour well-connected companies and individuals when deciding on policies and contracts. Commercial regulations can be ambiguous and inconsistent, and the lack of transparency increases start-up and overall operational costs.

To assist foreign companies with the implications of numerous bureaucratic procedures, the Kyrgyz government has established a one-stop shop licenses and permits office under the Ministry of Economy and Anti-Monopoly Policy. This department gathers information about potential investment projects in Kyrgyzstan. The US Department of State 2013 evaluates the office's capacity to guide investors through the system as limited and inefficient. In addition, foreign investors must often deal with fair amount of red tape in order to conduct business. The Kyrgyz government has also adopted a new tax code that aims to be more business and investment friendly. However, due to the novelty of the tax code reforms, many tax inspection and collection authorities have been accused of misusing their positions for personal enrichment.

The protection of property rights is slowly improving, although foreign ownership of land continues to be prohibited, according to the US Department of State 2013. Due to the structure of the judicial system, which remains underdeveloped and lacks independence, the appeals process can be lengthy and burdensome. According to the same source, the courts can force the sale of property to enforce payments and other contractual obligations, although observance of the legal concept of contract sanctity is inconsistent. Parliament passed the Law on Commercial Arbitration in June 2002, leading to the creation of the Commercial Arbitration Court, with a mandate to expedite the resolution of commercial disputes. The Law on Commercial Arbitration allows for disputes to be settled domestically or internationally as Kyrgyzstan is party to the International Centre for the Settlement of Investment Disputes (ICSID) and the New York Convention of 1958. Due to potential legal complications and judicial deficiencies, it is recommended that companies include a provision for international arbitration within their contracts. Business executives surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 report that the judiciary is often politically influenced by members of government, individual citizens, or companies. Access the Lexadin World Law Guide for a collection of laws in Kyrgyzstan.

Section 3 - Economy

Kyrgyzstan is a poor, mountainous country with an economy dominated by minerals extraction, agriculture, and reliance on remittances from citizens working abroad. Cotton, wool, and meat are the main agricultural products, although only cotton is exported in any quantity. Other exports include gold, mercury, uranium, natural gas, and - in some years - electricity. The country has sought to attract foreign investment to expand its export base, including construction of hydroelectric dams, but a difficult investment climate and an ongoing legal battle with Canadian investors in the nation's largest gold mine deter potential investors. Remittances from Kyrgyz migrant workers in Russia and Kazakhstan are equivalent to about a quarter of Kyrgyzstan's GDP.

Following independence, Kyrgyzstan rapidly carried out market reforms, such as improving the regulatory system and instituting land reform. Kyrgyzstan was the first Commonwealth of Independent States (CIS) country to be accepted into the World Trade Organization. The government has privatized much of its ownership shares in public enterprises. Despite these reforms, the country suffered a severe drop in production in the early 1990s and has again faced slow growth in recent years as the global financial crisis and declining oil prices have damaged economies across Central Asia.

Kyrgyz leaders hope the country's August 2015 accession to the Eurasian Economic Union will bolster trade and investment, but slowing economies in Russia and China, low commodity prices, and currency fluctuations continue to hamper economic growth. The keys to future growth include progress in fighting corruption, improving administrative transparency, restructuring domestic industry, and attracting foreign aid and investment.

Agriculture - products:

cotton, potatoes, vegetables, grapes, fruits and berries; sheep, goats, cattle, wool

Industries:

small machinery, textiles, food processing, cement, shoes, sawn logs, refrigerators, furniture, electric motors, gold, rare earth metals

Exports - commodities:

gold, cotton, wool, garments, meat; mercury, uranium, electricity; machinery; shoes

Exports - partners:

Switzerland 26%, Uzbekistan 22.6%, Kazakhstan 20.8%, UAE 4.9%, Turkey 4.5%, Afghanistan 4.5%, Russia 4.2% (2015)

Imports - commodities:

oil and gas, machinery and equipment, chemicals, foodstuffs

Imports - partners:

China 56.4%, Russia 17.1%, Kazakhstan 9.9% (2015)

The banking system of Kyrgyzstan consists of two levels: the upper level consists of the National Bank of Kyrgyzstan; the second level is comprised of commercial banks and other credit organizations. In comparison with other types of financial activity the banking sector occupies the largest part of the financial market of Kyrgyzstan and totals 20% of GDP.

Extracted from IMF Report: Kyrgyz Republic: Selected Issues (June 2011)

The impact of the political crisis on the Banking Sector

1. During the first days of the April events, a reported US\$240 million deposit outflow prompted fears of capital flight and led to the imposition of temporary administration on seven banks, including the country's largest bank. The main criterion for imposing temporary administration (outside of the largest bank) appears to have been alleged links to the previous regime. Strengthened supervision was also put in place in ten more banks, to safeguard the system against capital flight. Depositors were permitted to withdraw money up to a certain limit per day. In the month of April 2010, total deposits declined by 30 percent, predominantly due to the large outflow from nonresident deposits at Asia Universal Bank (AUB)—the country's largest bank accounting for 44 percent of private deposits in December 2010. Resident deposits declined by 10 percent.
2. The National Bank of the Kyrgyz Republic (NBKR) conducted audits of the banks under temporary administration; certain irregularities were detected in AUB's activities which suggested that the bank was insolvent. Foreign securities purchased for AUB by Kyrgyz brokerage companies linked to the previous regime could not be confirmed as registered to AUB. Some loans were made against likely unrecoverable collateral in foreign countries. When these losses were provisioned for, the bank's insolvency became evident and the bank was placed under conservatorship on June 4, 2010. Except for one foreign bank, other banks under temporary administration were found to be in a reasonable financial condition.
3. Plans to resolve AUB were disrupted by the June 2010 events and court processes led to further delays. AUB was nationalized on June 7, 2010, and an action plan was adopted that would have involved its recapitalization by the government. The recapitalization plan was later rescinded due to the unanticipated budgetary resource needs for reconstruction in the areas affected by the June 2010 events. As an alternative course of action, on August 5, 2010, the NBKR petitioned the court to recognize AUB as insolvent and to commence its resolution. The lower court denied the petition and the decision was ultimately appealed to the highest court. The process of appeals was finally exhausted in October 2010. AUB was recognized as insolvent and a special administrator was appointed to commence resolution of the bank through the split of its assets into a "good" and "bad" bank.
4. Zalkar Bank (good bank) was established on December 14, 2010, and the split of assets and liabilities from AUB occurred in late February 2011. AUB kept assets and liabilities of bank-related parties, nonresident liabilities, and deposits from the State Property Bureau due to pending criminal cases relating to these deposits. Zalkar Bank received most of the loan book (which included collateralized nonperforming loans), liquid and fixed assets, public sector deposits, the remaining deposits, and losses from AUB's swap arrangements with micro-finance institutions (MFIs). An asset transfer was made from Zalkar to AUB in March 2011, to further clean up Zalkar's balance sheet and make it more attractive for sale.

5. Four of the banks under temporary administration were eventually placed under conservatorship. In each of the remaining four cases, mandatory grounds for the appointment of a conservator were triggered; the banks either breached regulatory norms and/or criminal cases were initiated against officers of the bank. Pending litigation by shareholders and officers of the banks under conservatorship has prevented the NBKR from taking any further actions to resolve these banks. If these cases are not resolved in a timely fashion, the banks' operations will be hindered and it is unlikely that they will remain viable.

Stock Exchange

As of January 1, 2006, there were three licensed exchanges in Kyrgyzstan: the Kyrgyz Stock Exchange, the Stock Exchange Trade System and the Central Asian Stock Exchange. The volume of sales is estimated in the amount of 10-15 deals per day in all three stock exchanges. Currently only the Kyrgyz Stock Exchange lists securities. Listing requirements are established by its internal regulations.

Section 4 - Investment Climate

Executive Summary

The investment climate in the Kyrgyz Republic is best for those who are intrepid and have a high risk tolerance. The country struggles with major commercial issues. Corruption is rampant and rule of law is weak. The judicial system lacks independence and every sector of government confronts capacity and resource shortages. For most areas of commercial interest, a legal framework technically exists, but enforcement is poor - especially with regard to intellectual property rights. Potential investors should be aware that an estimated 60% or more of the economic activity in the country occurs in the unregulated gray economy. Investors in politically sensitive sectors, such as resource extraction, spend much of their time renegotiating contracts, as evidenced by the experience of the Canadian-operated Kumtor gold mine.

Government officials in the Kyrgyz Republic speak positively and with hope of factors they say indicate an improving investment climate. The government has identified FDI as a key component to growing the economy in the coming years and has created a strategic roadmap for economic development designed to facilitate this growth. The government is taking steps to streamline the process of starting a business, as well as its tax regime. Still, many burdensome regulations strangle business development for foreigners and locals alike. Entrepreneurs have yet to see tangible results from reforms.

Additionally, the Kyrgyz Republic struggles to meet basic infrastructure needs. The government has difficulty providing adequate power supply, especially outside of the capital, Bishkek. Power plants, roads, and canals are dilapidated. Municipal waste problems routinely plague Bishkek. Chinese infrastructure projects only improve market access for Chinese goods, and the Russian economic recession has delayed receipt of promised development assistance.

The Kyrgyz Republic is on the verge of several major economic transitions. In August 2015, the country joined the Eurasian Economic Union (EAEU), whose current members also include Russia, Kazakhstan, Armenia, and Belarus. The accession process has altered economic conditions, as cheaper goods from competitive firms of EAEU member states have flooded the local market and disrupted the gray economy, shuttle trading and currency stability. Additionally, EAEU accession has brought a slew of new regulatory burdens with it and Kyrgyz government and business alike have struggled to adapt. Persistent reliance on Russia as a source of remittances, imports, and government financing makes the economy vulnerable Moscow's whims.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	123 of 175	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	67 of 189	doingbusiness.org/rankings

Global Innovation Index	2015	109 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	\$12.0 million	BEA
World Bank GNI per capita	2015	\$1,250	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Kyrgyz Republic is open to foreign direct investment and the government publicly recognizes that foreign direct investment is an important component to growing the economy. Laws exist that make the investment climate more favorable than in the past for foreign companies. Application of these laws, however, is inconsistent, which can cause problems for and deter foreign investors. In addition, government activities, including demands for renegotiation of operating contracts that were legally concluded, invasive and time-consuming audits, levy large retroactive fines, and disputes over licenses are impediments to foreign investment.

Other Investment Policy Reviews

In 2014, the World Trade Organization (WTO) reviewed Kyrgyzstan. In 2016, IFC, a member of the World Bank Group, released a report on the Kyrgyz investment climate in January 2016. The report is available [here](#).

Laws/Regulations on Foreign Direct Investment

The Kyrgyz Republic's main legal framework for foreign direct investment remains the "2003 Law on Investments." The justice system in the Kyrgyz Republic is inefficient and lacks independence, and cases can take years to be resolved. The Ministry of Economy's Investment Promotion Agency maintains the country's main website for investment queries, www.invest.gov.kg.

Business Registration

The Kyrgyz Republic does not have a business registration website. Registration of legal entities, branches, or representative offices in the Kyrgyz Republic is based on "registration by notification" and the "one stop-shop" practice. State registration of a legal entity is

completed within three business days from the date of filing the necessary documents for a specified fee. The relative ease of registering a business is reflected in the improvement of the Kyrgyz Republic's ranking in the World Bank's "Doing Business" survey to 67th of 189.

In 2014, the Kyrgyz government established the Investment Promotion Agency (IPA). The IPA does not provide consulting services to individual businesses that would like to enter the market. The IPA supports investors by providing information via its website, brochures, and informational meetings, but does not yet assist companies attempting to navigate the Kyrgyz bureaucracy. The Agency's website (<http://invest.gov.kg/>) contains information regarding current legislation and regulations affecting potential investors.

The Kyrgyz Republic defines medium and small enterprises (MSMEs) as physical entities that are involved in entrepreneurship activity without having formed a legal entity, or as commercial enterprises that have a gross turnover less than 3,000,000 KGS (\$43,000) a year and that employ fewer than 35 people in industry, 75 people in construction, 35 people in transportation, 50 people in agriculture, 25 people in scientific research, or 30 people in trade. Though there is a legal framework designed to help MSMEs, including tax breaks, the government does little to support development of smaller enterprises.

Industrial Promotion

In its January 2013 Sustainable Development Strategy Roadmap, the government acknowledged that "attracting investment requires having transparent and well-functioning legislation that provides actual protection of rights of ownership and reduces interference from the state and eliminates corruption, and having a stable finance system with the ability to provide benefits to investors, and equal treatment for both foreign and domestic investors." The government is working to lay the foundations for these key components.

Limits on Foreign Control and Right to Private Ownership and Establishment

While there are no official limits on foreign control, a large investor in a politically sensitive industry may find that the government imposes investor-specific requirements such as a high percentage of local workforce employment or a minimum number of local seats on a board of directors. Foreigners have the right to establish and own businesses. In 2015, U.S. investors did not allege any restrictions on market access. According to the law, the Kyrgyz Republic guarantees equal treatment to investors and places no limit on foreign ownership or control.

Privatization Program

In 2015, the Kyrgyz government privatized MegaCom, one of the country's largest mobile telecommunications companies. There is ongoing deliberation on the privatization of other state-owned assets, such as the postal service and the capital's international airport, but lack of interest by private partners has stalled any potential moves. Following years of non-transparent delays, the Parliament suddenly and swiftly approved MegaCom's privatization in June 2015.

There are no restrictions on foreign investors participating in privatization programs. For example, the Kyrgyz government is seeking to attract foreign firms, in particular Turkish companies, to buy Manas (Bishkek) International Airport. The privatization process is not well defined and is subject to change.

Screening of FDI

Coca-Cola and Hyatt are the only major U.S. businesses in Kyrgyzstan. There is no known process to screen foreign investment.

Competition Law

The State Agency for Anti-monopoly Regulation of the Kyrgyz Republic conducts unified state antitrust price regulation in the economy. The main tasks of the State Agency are:

- to develop and protect competition
- to control compliance with legislation in the field of anti-trust, price regulation
- to protect the legal rights of consumers against manifestations of monopoly and unfair competition
- to ensure observance of legislation on advertising.

2. Conversion and Transfer Policies

Foreign Exchange

Foreign exchange is widely available and rates are competitive. The local currency, the som, is freely convertible, and stable compared to other currencies in the region. As of April 7, 2016, the exchange rate was 68.9 som to the U.S. dollar. The National Bank of the Kyrgyz Republic conducts weekly inter-bank currency auctions, in which competitive bids determine market-based transaction prices. Banks usually clear payments within a single business day.

Complaints of currency conversion issues are rare. With occasional exceptions in the agricultural and energy sectors, barter transactions have largely been phased out

The government, specifically the National Bank, is encouraging greater usage of the som. In 2015, the Kyrgyz government required commercial banks to convert their U.S. dollar-denominated mortgages for civil servants into Kyrgyz som, and public officials have openly discussed limiting the dollar's role in transactions going forward. In March 2016, parliament passed a ban on using foreign currency to pay for goods or services. The ban went into effect the next month. It is too early to tell any effects of the ban.

Remittance Policies

There are no known plans to change remittance policies. The country remains on the Financial Action Task Force (FATF) "gray list" and the Department of State's Bureau of International Narcotics and Law Enforcement lists the Kyrgyz Republic as a "monitored" country with regard to money laundering and financial crimes. The State Department assessed Kyrgyzstan as "fiscally transparent" in 2015 for the purposes of U.S. government assistance programs.

There are no known limitations on remittances. The government does not restrict how investors can remit profits, but it does not have a parallel market that uses negotiable instruments. The Kyrgyz Republic does not manipulate its currency.

3. Expropriation and Compensation

In April 2016, the government of the Kyrgyz Republic expropriated four Uzbek-owned resorts on Lake Issyk Kul and announced plans to do the same to several Kazakh-owned resorts in the same area. The resorts trace back to the Soviet Union, when the neighboring socialist republics of Uzbekistan and Kazakhstan built resorts to help boost the region's tourism potential. It is unknown how the Kyrgyz Republic will legally transfer the properties, though press reports highlighted that several of the resorts owe contributions to the Kyrgyz Social Fund.

The government spent the better part of 2013 and 2014 renegotiating the agreement underpinning foreign investment in the Kumtor gold mine and many aspects of the dispute remain unresolved. Meanwhile, both the executive and legislative bodies perpetually discuss how and when to allocate, reallocate, revoke, suspend, and otherwise handle mining licenses. Foreign investors have the right to compensation in the case of government seizure of assets. However, there is little understanding of the distinction between historical book value, replacement value, and actual market value, which brings into question whether the government would provide fair compensation in the event of expropriation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The formal legal system of the Kyrgyz SSR largely mirrored other union republics. The legal system has undergone a dramatic transformation since the breakup of the Soviet Union. The general principles of the reform encourage ideological and political pluralism, a socially oriented market economy, and the expansion of individual rights and freedoms. Major barriers to foreign investment derive from a lack of adequate implementation rather than gaps in existing laws.

The judicial system is technically independent, but political interference and corruption regularly besmirch its reputation and undermine its effectiveness. Resolution of an investment dispute within the Kyrgyz Republic depends on several factors, namely who the parties are and the amount of investment.

The key problem in the resolution of disputes is a weak and corrupted Kyrgyz judicial system that fails to act as an independent arbiter. Since most of these disputes are between foreign investors and the Kyrgyz Government, local courts serve as an executor of the authorities' political agenda.

Bankruptcy

The Kyrgyz Republic has a written law governing bankruptcy procedures of legal persons and insolvent physical persons (Law of the Kyrgyz Republic "On Bankruptcy" September 22, 1997 and amended December 30, 1998) which covers industrial enterprises and banks, irrespective of the type of ownership; commercial companies; private entrepreneurs; foreign commercial entities. Bankruptcy proceedings are conducted by the court of arbitration competent for the district in which enterprise is located. The procedure of liquidation can be carried out without the involvement of the judicial bodies if all creditors agree on out-of-court proceedings. Chapter 10 of the law on bankruptcy provides for the possibility of an amicable settlement between the enterprise and its creditors, which can be made at any stage of the liquidation process. The World Bank ranks the Kyrgyz Republic 126 in "Resolving Insolvency" in its annual "Ease of Doing Business" report.

Investment Disputes

A weak and corrupted judicial system fails to act as an independent arbiter in investment disputes. Since most of these disputes are between foreign investors and the Kyrgyz Government, local courts serve as the executors of the authorities' political agenda. There is no known example in which the final verdict on an investment dispute between an investor and the government has favored the investor.

The most well-known investment dispute of the last 10 years has been ongoing since the early days of the country's independence and centers around the Kumtor gold mine. Since the mine opened after independence, the Canadian operating company, Centerra Gold, has renegotiated the terms of their investment with the government more than three times at the request of the Kyrgyz Government. In December 2015, both sides tabled the talks without resolution. The pattern of possessive nationalism observed with the Kumtor mine is repeated at all foreign-owned/operated mining sites. Local populations near mine sites routinely protest, sometimes violently, and the government routinely revokes licenses at smaller sites and suspends work at various sites in response to these protests.

International Arbitration

The Law on Commercial Arbitration allows for international and domestic arbitration of disputes. If feasible, the arbiter and the terms of arbitration should be identified in the initial contract. Establishing the terms for arbitration beforehand may prevent further complications in the event of a dispute. According to the Ministry of Justice, there are currently nine lawsuits against the Kyrgyz Republic in international courts. These cases seek a total of \$925 million. The outcome of these cases is uncertain, as is whether the Kyrgyz Government would respect or enforce any final decision.

There is no known example in which the final verdict on an investment dispute between an investor and the government has favored the investor.

The Kyrgyz Republic has a Bilateral Investment Treaty with the United States. There have been no claims under the agreement.

The parties can agree to any judicial institution, including third-party courts within or outside of the Kyrgyz Republic, or domestic or international arbitration. If the parties fail to settle the dispute within three months of the date of the first written request, any investment dispute between an investor and the public authorities of the Kyrgyz Republic will be subject to settlement by the judicial bodies of the Kyrgyz Republic. Any of the parties may initiate a settlement by recourse to:

- the International Centre for Settlement of Investment Disputes under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States or;
- arbitration or a provisional international arbitration tribunal (commercial court) established under the arbitration procedures of the UN Commission for International Trade Law (UNCITRAL)

ICSID Convention and New York Convention

The Kyrgyz Republic is a member of the International Center for the Settlement of Investment Disputes (ICSID). It signed the ICSID agreement on June 9, 1995, and ratified it on July 5, 1997. The Kyrgyz Republic became a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards on March 18, 1997.

Duration of Dispute Resolution – Local Courts

Investment dispute parties may agree on any judicial institution in which to settle their dispute, including arbitration courts located inside and outside the Kyrgyz Republic. In the absence of such an agreement, the dispute is considered in the courts of the Kyrgyz Republic. Courts rarely issue verdicts in dispute resolution cases and are often corrupted by politicians or parties to the dispute. Almost all disputes are settled outside of court, if ever.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

A World Trade Organization (WTO) member, the Kyrgyz Republic is compliant with WTO Trade Related Investment Measures (TRIMS) obligations. As a remote country that is loosely integrated with the world economy, the Kyrgyz Republic has little practical experience working under the guidelines of WTO and the country's treaty obligations remain poorly understood by many within the government.

Investment Incentives

The Kyrgyz Government has reduced the tax burden on repatriation of profits by foreign investors to conform to the tax rate for domestic investors.

Research and Development

There are very few government financed or subsidized research and development programs in the Kyrgyz Republic. Almost all research and development is funded externally.

Performance Requirements

While there are no formal legal requirements for local employment, most major international investors are subject to tremendous public pressure to hire as many local employees as possible. New investors may find local employment quotas included in potential investment agreements, mandating numbers for boards of directors, senior management, and/or other employees. There are no known barriers to mobility of foreign investors and their employees or any conditions on permission to invest. The Kyrgyz Government does not enforce any "forced localization" policies.

Data Storage

There are no known instances of requiring foreign IT providers to turn over source code and/or provide access to surveillance. There is no legislation on maintaining data storage within the country.

6. Protection of Property Rights

Real Property

The Kyrgyz Government identified property rights as one of the priority areas to strengthen investment climate in Kyrgyzstan (e.g., National Strategy for Sustainable development 2013-2017). The main guarantor of this right is the Constitution of KR (Article 12). No legislation officially defines "private property."

A survey conducted by local NGO "Institute for Constitutional Policy" (2014) revealed that despite significant legislative amendments, the rule of law is still weak in the Kyrgyz Republic and the state lacks capacity to properly enforce property rights. The drawn out judicial reform has not lived up to business' expectations, as it continues to be the main target of corrupted court decisions.

Mortgages and liens are common in the Kyrgyz Republic. Both operate in line with relevant legislation. Applying for a mortgage is simple and home loans were in demand until the recent economic crisis stemmed remittances from Russia. The developed system of mortgages has been a major factor in the recent construction boom. When providing mortgages, banks request a reference from the State Registration Service that the property is not under lien. Banks do not have their own system to check this type of information.

The State Registration Service is the major operator of a recording system (database) on property under mortgage/lien commitments. However, the reliability of the recording system is questionable, as the Service itself is frequently subject to allegations of corruption. The Kyrgyz Republic was first among its neighboring Central Asian states to introduce private property rights for land. According to government sources, there are no lands without a clear title.

There are a number of legal restrictions on the right of foreign persons to own land in the Kyrgyz Republic. The land rights of foreign persons are limited to the following:

- Foreign persons may not own or use agricultural land.
- Foreign persons may not own or use any land except residential land, which has been foreclosed under a mortgage loan agreement in accordance with Kyrgyz Pledge Law. Foreclosed agricultural land may belong to foreign banks and specialized financial institutions but only for the period of three years.
- Foreign persons may use non-residential land transferred thereto by way of universal succession, except agricultural and mining use land, subject to permission of the Kyrgyz Government, for the period of up to 50 years.
- Foreign persons who have acquired ownership of land by way of universal succession (inheritance, reorganization) must transfer such land to a Kyrgyz national or legal entity within one year from the date of acquiring such ownership

Intellectual Property Rights

Property right protections are slowly emerging. The State Service for Intellectual Property and Innovation under the Government of the Kyrgyz Republic ("Kyrgyzpatent") is an authorized body of the Executive Branch that issues documents to certify intellectual property. Kyrgyzpatent establishes the Appeal Council that is the primary body to hear intellectual property related disputes. While the Kyrgyz Republic has a robust body of laws, regulations, and rules governing protection of intellectual property, and while the country is a signatory

to several international treaties on the subject, enforcement remains problematic. The judicial system remains underdeveloped and lacks independence. Due to the structure of the system, the appeals process can be lengthy and prolonged. Court actions can force the sale of property to enforce payments and other contractual obligations. The government does not pay a sum as compensation for these actions.

The Kyrgyz Republic is obligated to protect intellectual property rights as a member of the WTO. The Kyrgyz Republic acceded to both the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty in 2002. Counterfeit goods made primarily in China, however, are widely available. The Kyrgyz Republic is not on the Special 301 report nor is it listed on the U.S. Trade Representative's Notorious Markets report.

The Kyrgyz Republic did not pass any new IP related laws or regulations in 2015. There are no pending IP bills listed on the Parliament's website. Criminal liability for violation of IPR is listed in the Criminal Code. Unfortunately, enforcement is lax and according to sources, there have been no successful prosecution for IP violations in the history of the Kyrgyz Republic. There are no official statistics on seizure of counterfeit goods. However, the State Customs Service regularly writes alerts and notifications on the recent seizure of counterfeit goods on its official website. Most counterfeit goods transit via the massive Dordoi bazaar – Central Asia's largest market -- from China en route to Russia and Kazakhstan. The Kyrgyz Republic is not known as a major producer of counterfeit goods.

Resources for Rights Holders

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7. Transparency of the Regulatory System

The legal and regulatory system of the Kyrgyz Republic continues to develop slowly. The process of implementing regulations and court orders relating to commercial transactions remains inconsistent. Some court decisions, which appear to contradict established procedures, can be implemented expeditiously in certain cases and are subject to outside influence. The Kyrgyz system is heavily bureaucratic and investors must overcome a great deal of red tape in order to conduct business.

The Investment Promotion Agency, under the Ministry of Economy, assists investors with bureaucratic procedures. This agency also consolidates information about potential investment projects in the Kyrgyz Republic. However, the efficacy of this office in assisting firms with setting up shop is limited since official bureaucratic procedures comprise only some of the hurdles to opening a business. An investment council, under the auspices of the

president, exists to further regulatory improvements for the business climate. Contradictory government decrees often create bureaucratic paralysis or opportunities for bribe solicitation in order to complete normal bureaucratic functions. As with many aspects of life in the Kyrgyz Republic, the laws are sound but the implementation and enforcement are weak.

8. Efficient Capital Markets and Portfolio Investment

The National Bank of the Kyrgyz Republic is a nominally independent body and regularly intervenes in the market to mitigate the risk of exchange rate shocks to the national currency (the Kyrgyz som). The currency is freely convertible and Kyrgyz bonds are available for foreign ownership. According to the Kyrgyz National Statistical Committee, the Kyrgyz Republic's Consumer Price Index increased by 11 percent in 2015, 6.1 percent in 2014, and 4 percent in 2013. The economy of the Kyrgyz Republic is primarily cash-based, although non-cash consumer transactions, such as debit cards and transaction machines, have grown in the past few years.

There are two stock exchanges in the Kyrgyz Republic (Kyrgyz Stock Exchange and Stock Exchange Kyrgyzstan), but all transactions are conducted through Kyrgyz Stock Exchange. In 2013, the total value of transactions amounted to 1.65 billion soms (approximately USD 33.3 million) compared to 1.04 billion soms (approximately USD 22 million) in 2012.

Money and Banking System, Hostile Takeovers

There are currently 25 functioning commercial banks in the Kyrgyz Republic, with approximately 300 branches throughout the country. There are ten foreign banks operating in the Kyrgyz Republic: Demir Bank, Bank of Asia, National Bank of Pakistan, Halyk Bank, FinanceCredit Bank, Optima Bank, and Kyrgyz-Swiss Bank are entirely foreign held. Other banks are partially foreign held, including Manas Bank and Kyrgyz Investment and Credit Bank (KICB). KICB has multinational organizations as shareholders including the European Bank for Reconstruction and Development, Economic Finance Corporation, the Aga Khan Fund for Economic Development and others. The National Bank of the Kyrgyz Republic took control of Asia Universal Bank (AUB) in April 2010 and reorganized it under the new name of Zalkar Bank, which in 2013 was sold to a Russian bank and renamed Rosinbank. Although no U.S. bank operates in the Kyrgyz Republic, many Kyrgyz banks maintain correspondent relations with U.S. and other foreign banks to facilitate short-term commercial lending, such as letters of credit.

Outside investors rarely seek financing from domestic banks. Bank lending is heavily biased towards short-term loans, although mid-term loans are also offered. The micro-finance sector in the Kyrgyz Republic is robust, representing nearly half the market size of the banking sector. As of October 2013, the micro-finance loan stock was valued around \$300 million. Agriculture accounted for half of the loans, followed by trade and consumer loans. The average interest rate in the banking sector was 22.45 percent, as opposed to the micro-finance sector where the average interest rate is 35 percent (more than 50 percent higher) due to the vast majority of the micro-finance loans being handled in rural areas outside of Bishkek. Over the last year, Parliament and the National Bank have worked together to better regulate and stabilize the micro-finance sector.

Since March 2008, new banks must have a minimum charter capital requirement of 600 million soms (\$8.3 million). Banking laws also require that banks maintain a 10 percent reserve with the National Bank. A deposit insurance system exists for the benefit of individual investors. With the support of the Kyrgyz Government, accounting systems in banks and enterprises are being converted to international standards. In addition, international assistance programs contributed to rapid progress in reaching these standards via accounting training and certification.

9. Competition from State-Owned Enterprises

The Fund for State Property Management of the Kyrgyz Republic is the public executive authority representing the interests of the state as the owner of the state property. The purpose of the Fund is to ensure the efficiency of the use, management, and privatization of state property. The list of SOEs is available, but not comprehensive. The Fund has its website and tries to maintain the open policy: <http://www.fgi.gov.kg/ru/get/menu/ofonde>.

Information on SOEs, such as assets and employees, is generally not publicly available. Income from SOEs goes to the government budget. The government tries to practice an open and transparent policy when it comes to contracts and biddings. However due to rampant corruption, there are common complaints that only individual government officials have access to government contracts and bidding processes. In 2015, local press reported SOEs using a combination of Cyrillic and Latin letters in prospective contract proposals in order to limit outsiders' ability to find and bid on projects.

SOEs purchase goods and services from the private firms and usually place the calls for bids either on their websites or in public newspapers, as required. Private enterprises have the same access to financing as SOEs and are subject to the same tax burden. In some cases, SOEs have preferential access to land and raw materials. However, transparency initiatives attempt to hold the government accountable in such proceedings.

Corruption dominates most aspects of SOEs in the Kyrgyz Republic. According to the Center for International Private Enterprise:

"In Kyrgyzstan, state-owned companies play a significant role in the economy, especially in the banking, mining, and transportation sectors. According to the Index of Economic Freedom, government expenditure accounts for 38 percent of Kyrgyz domestic output. Cronyism and corruption within these companies presents a major obstacle to Kyrgyzstan's market- economic transition. In many cases, elected officials appoint company board members based on political loyalty rather than professional skills and corporate governance knowledge. The positions on boards of directors are frequently used as rewards for political support. This dynamic only reinforces a patronage system—the antithesis to democracy—resulting in poor economic performance and public service delivery."

OECD Guidelines on Corporate Governance of SOEs

The Fund for State Property Management executes corporate governance of SOEs and appoints members of the SOE boards of directors. The board, in return, appoints an executive director. In 2014, the Ministry of Economy established a working group that developed a draft project on reform of the system of SOE management. It is currently under government review. The country does not adhere to the OECD Guidelines on Corporate Governance of SOEs.

Sovereign Wealth Funds

The Kyrgyz Republic's Sovereign Wealth Fund originated from proceeds of the Kumtor gold mine and is composed of shares in the parent company of the gold mine operator, Centerra Gold. The Kyrgyz Republic owns roughly 77 million shares of the company, which are currently valued at \$464 million. The Fund was associated with the corrupt practices of deposed ex-President Kurmanbek Bakiev and the Bakiev family used it as their personal slush fund. Today, large percentages of the Fund are frozen due to several pending legal cases regarding Kumtor gold mine.

10. Responsible Business Conduct

There is a general awareness about responsible business conduct (RBC). The Kyrgyz Government does not factor RBC policies or practices into its procurement decisions. Kumtor, the largest gold mining company operating in the Kyrgyz Republic, regularly draws criticism for violating environmental regulations and thus damaging the living standards of the nearby villages. However, these accusations often are used for political purposes rather than legitimate RBC concerns. Few NGOs work to promote RBC.

Corporate social responsibility (CSR) is not a fully developed concept or practice. Most companies have not yet developed the capacity to coordinate with civil society on this level. The companies that generally demonstrate CSR are large, foreign-owned companies that participate in or lead industry-strengthening training sessions, work with local universities to develop internship programs and donate to national development projects. Many new large investors, particularly in natural resource extraction, find that there is a requirement to establish a sizeable "social development fund" as a prerequisite for doing business in the Kyrgyz Republic. Charitable donations are not tax deductible.

The Kyrgyz Republic is a member of the Extractive Industries Transparency Initiative (EITI), but is currently behind on several annual reports and missed the deadline to submit their 2013 report in time for an inspection. According to the last report published in 2013 (and covering 2011), EITI covers more than 95 percent of mining revenues in the Kyrgyz Republic.

11. Political Violence

The Kyrgyz Republic experienced a year of relative political stability in 2015. The first peaceful, democratic turnover of presidential power in the nation's history occurred with the inauguration of President Almazbek Atambaev in December 2011. The governing coalition changed peacefully in September 2012 and again in the spring of 2014 with no impact on foreign business or investment interests. In October 2015, the Kyrgyz Republic successfully conducted competitive national parliamentary elections. The government was politically stable, withstanding periodic protests organized by opposition politicians. Concerns about law enforcement abuses and human rights violations in the country remain.

Interethnic tensions persisted in the southern part of the country, but did not have a destabilizing effect on the government. In 2015, Daesh/ISIL efforts to recruit Kyrgyzstani fighters to Syria continued to generate headlines. Supporters of extremist groups such as the Islamic Movement of Uzbekistan (IMU), Al-Qaeda, and the Eastern Turkistan Islamic Movement remain active in Central Asia. These groups have expressed anti-U.S. sentiments and could potentially target U.S.-affiliated concerns. The United States has cooperated with

the Kyrgyz Government to improve border and internal security and efforts to stem the flow of fighters to Syria are ongoing.

The biggest exception to this general state of stability is in the extractive resources industry. Over the last several years, various installations were the target of violent protests, some resulting in severe vandalism. The trouble caused by repeated protests prompted one large, international mining firm to sell its share of an exploration project in 2014 and leave the Kyrgyz market entirely.

The Department of State urges U.S. citizens to consider carefully travel to the Batken region along the Kyrgyz Republic's border with Tajikistan. U.S. citizens planning to travel to the Kyrgyz Republic should refer to the U.S. Department of State for updated security information. This information is available on the Internet at <http://travel.state.gov>.

12. Corruption

Corruption remains a serious problem at all levels and in all sectors of Kyrgyz society and the economy. According to Transparency International's Corruption Perception Index, in 2015 the Kyrgyz Republic ranked 123rd out of 168 countries surveyed. Kyrgyz politicians and citizens alike are aware of the systemic corruption, but the problem is deeply entrenched and difficult to fight. Moreover, many in the Kyrgyz Republic view paying of bribes as the most efficient way to receive government assistance and many, albeit indirectly, gain benefits from corrupt practices.

The Kyrgyz Republic is a signatory of the UN Anticorruption Convention but not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The Kyrgyz Government has announced a number of initiatives to fight corruption. Current President Almazbek Atambayev has established an anticorruption service within the State Committee on National Security. The service has taken action against a limited number of ministers and parliamentarians. The Kyrgyz Government encourages all companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials, but not all companies have effective internal controls. The Kyrgyz Republic has laws that criminalize giving and accepting a bribe, with penalties ranging from a small administrative fine to a prison sentence, but the government's active enforcement of these laws is uneven. While, at times, senior government officials take anticorruption efforts seriously, a sustained effort would probably result in more consistent enforcement of the existing laws.

Businesses operating in the Kyrgyz Republic will encounter some or all of these practices. The Government of the Kyrgyz Republic issues special colored license plates to foreign business owners, which the police frequently target for regular stops. Foreign businesses may also find themselves the subject of frequent tax audits or a variety of inspectors consistently visiting their establishments. Each experience presents an opportunity to demand a bribe.

Corruption, including bribery, raises the costs and risks of doing business. Corruption in the Kyrgyz Republic has a corrosive impact on both market opportunities for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines rule of law.

It is important for U.S. companies, regardless of their size, to assess the business climate in the relevant sector in which they will be operating or investing, and to have an effective

compliance program or measures to prevent and detect corruption, including bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the Kyrgyz Republic and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The Kyrgyz Republic ratified the UN Anticorruption Convention in September 2005. The Kyrgyz Republic is not a party to the OECD Convention on Combatting Bribery.

Resources to Report Corruption

Hot-line of the Anti-corruption Service of the State Committee for National Security:

Bishkek,
Zhibek-Zholu street
+996 (312) 660020
aks.gknb@gmail.com

Contact at "watchdog" organization
Mukanova N.A., General Secretary
Anticorruption Business Council of the Kyrgyz Republic
Ministry of Economy
114Chui Avenue, Bishkek
+996 312 895 496
secretariat.adc@gmail.com
www.adc.kg

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

The Kyrgyz Republic currently has bilateral investment treaties with the United States, Armenia, Azerbaijan, Belarus, China, Finland, France, Georgia, Germany, India, Indonesia, Iran, Kazakhstan, the Republic of Korea, Lithuania, Malaysia, Moldova, Mongolia, Pakistan, Sweden, Switzerland, Tajikistan, Turkey, United Kingdom, Ukraine, and Uzbekistan.

The U.S.-U.S.S.R. treaty on double taxation, which was signed in 1973, remains in effect between the U.S. and the Kyrgyz Republic. The Kyrgyz Republic has also signed double taxation treaties with Armenia, Austria, Belarus, Canada, China, Finland, Germany, India, Iran, Kazakhstan, Lithuania, Malaysia, Moldova, Mongolia, Pakistan, Poland, Russia, Switzerland, Tajikistan, Turkey, Ukraine, and Uzbekistan.

In August 2015, the Kyrgyz Republic fully acceded to the Eurasian Economic Union (EAEU), joining Russia, Belarus, Kazakhstan, and Armenia in the trade bloc. Though regulations are still being finalized, free movement of labor, capital, and goods forms the basis of the EAEU.

The Kyrgyz Republic has a Bilateral Investment Treaty with the United States.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

There are five Free Economic Zones (FEZs) in the Kyrgyz Republic: Bishkek (two), Naryn, Karakol, and Maimak. Each is situated to make use of transportation infrastructure and/or customs posts along the Kyrgyz borders. Government incentives for investment in the zones include exemption from several taxes, duties and payments, simplified customs procedures, and direct access to utility suppliers. The production and sale of petroleum, liquor, and tobacco products in FEZs are banned.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	\$6.537 billion	2014	\$7.404 billion	World Bank
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	N/A	2014	\$12 million	BEA
Host country's FDI in the United States (\$M USD, stock positions)	2014	N/A	2014	\$0	BEA
Total inbound stock of FDI as % host GDP	2014	N/A	2014	0%	N/A

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	3,235	100%	Total Outward	2	100%
Canada	913	28%	Tajikistan	2	91%

China	747	23%	Kazakhstan	0	4%
United Kingdom	354	11%	Turkey	0	3%
Russian Federation	237	7%	Russian Federation	0	1%
Kazakhstan	195	6%	Brit Virgin Island	0	0%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

The Kyrgyz Republic has limited stock and bond markets for portfolio investors. The country is not listed on the IMF's Coordinated Portfolio Investment Survey (CPIS) site. It is unlikely the country has any large portfolio investors.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

civil law system which includes features of French civil law and Russian Federation laws

International organization participation:

ADB, CICA, CIS, CSTO, EAEC, EAPC, EBRD, ECO, EITI (compliant country), FAO, GCTU, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IDB, IFAD, IFC, IFRC, ILO, IMF, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, MIGA, NAM (observer), OIC, OPCW, OSCE, PCA, PFP, SCO, UN, UNCTAD, UNESCO, UNIDO, UNISFA, UNMIL, UNMISS, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There are generally no restrictions on converting or transferring funds (associated with cross-border transactions) into freely-usable currency and at the legal, market-clearing rate.

Treaty and non-treaty withholding tax rates

The U.S.-U.S.S.R. treaty on double taxation, which was signed in 1973, remains in effect between the U.S. and the Kyrgyz Republic. The Kyrgyz Republic has also signed double taxation treaties with Armenia, Austria, Belarus, Canada, China, Finland, Germany, India, Iran, Kazakhstan, Lithuania, Malaysia, Moldova, Mongolia, Pakistan, Poland, Russia, Switzerland, Tajikistan, Turkey, Ukraine and Uzbekistan.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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