



**АГЕНТСТВО РАЗВИТИЯ  
МЕЖДУНАРОДНОГО  
ФИНАНСОВОГО ЦЕНТРА**

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# **Global Securities Trading Through Kyrgyzstan**

The domestic securities market of the Kyrgyz Republic is quite limited in size and in the number of issuers. It is dominated by post-privatization equity, corporate bonds and Government securities. However, the integration of its infrastructure with the global investment markets open interesting possibilities for international investors and financial services firms.

## **Open to handle global investment business**

- The national Central Depository of the Kyrgyz Republic is often used to hold foreign securities, having established gateways into Euroclear / Clearstream and a number of national securities clearing systems (such as, for example, the Russian National Settlement Depository).
- National investment market regulations allow the listing of foreign securities on the domestic stock exchange. Amendments to the Law on the Securities Market which are being adopted now introduce the notion of a «qualified investor» which by definition will include any non-resident individual or entity. This would allow a simplified approval of listing applications for foreign securities on the Kyrgyz Stock Exchange, which can provide important advantages to the issuers of such securities (please see below).
- Kyrgyzstan's International Commodities Exchange (INTERCOMEX) allows the accreditation of non-resident traders. Settlement of the exchange-traded contracts can be done on any clearing platform, not necessarily within Kyrgyzstan. The exchange allows to list contracts for commodities deliverable anywhere in the world, not only in Kyrgyzstan.
- Kyrgyz banks, unburdened by exchange controls, are free to service the accounts of both resident and non-resident clients.
- Kyrgyzstan-based investment companies, licensed by the local regulator, offer trading in both domestic and foreign-issued securities — exchange traded or unlisted.
- Many options for tax free trading are available; there is no withholding tax on capital gains arising in securities trading.
- Since exchange controls are non-existent, trading in securities denominated in any currency by any issuer is possible; the only restricted activity is offering foreign-issued securities to local non-professional investors (retail investor protection).

## Benefits of listing foreign securities in Kyrgyzstan

- Listing at the KSE provides a 'backdoor' entry to the Russian investment market which taps into the multi-billion dollar savings of the Russian population (144 million people), most of whom are de-facto barred from investing offshore. Securities listed on the KSE can be accepted for listing at any Russian stock exchange without the need for the approval of the Russian securities market regulator (the Central Bank of Russia). The legal basis for that privilege is the Central Bank of Russia Directive of 28 January 2016 N 3949-U which included the KSE into the list of exchanges whose listing is sufficient for an approval-free secondary listing in Russia.
- Liberal listing rules of the Kyrgyz Stock Exchange can offer a great solution to privately held startups wishing to gain a bigger exposure to global investors. By listing on the KSE a startup company can reach out to potential investors from out of Kyrgyzstan (local distribution in other countries will still be subject to local securities laws) and market their investment opportunity. Listing on the KSE is thus a very good regulated alternative to raising capital through unregulated 'initial coin offerings' or other unregulated forms of crowdfunding. Should the issuer still wish to avail 'crypto-investors' the opportunity to pay cryptocurrencies for the issued securities and/or hold a crypto-token instead of a regular security, Kyrgyz law and several locally operating broker-dealers can provide legally compliant solutions to achieve this.
- Listing Russian project-linked debt on the KSE can be a way to export interest payable by the Russian borrower offshore free from the Russian withholding tax on interest. We discuss this opportunity in more detail in «A Gateway to Tax-Free Financing of Projects in Russia».
- Listing equity on the KSE provides a privacy-enhanced investment and holding vehicle for those seeking law-compliant privacy in today's very transparent world. Beneficiary disclosure rules in many countries do not require the disclosure of beneficiaries of publicly listed companies on top of what is routinely disclosed in accordance with the listing rules of the exchange.