

Provisional measures and decisions of the National Bank of the Kyrgyz Republic in connection with the spread of COVID-19

COVID-19 pandemic, as well as the associated restrictions and economic consequences of the fight against the virus, set new tasks for the National Bank of the Kyrgyz Republic (the “NBKR”). In this connection, the regulator took a number of measures aimed at maintaining stability in the banking system of the Kyrgyz Republic and protecting the rights of consumers of banking services.

Decree of the NBKR Board dated 18 March 2020 No. 2020-II-12/13-1-(БC) adopted provisional rules for regulating activities of financial and credit organizations aimed at protecting the rights of consumers of banking services, as well as mitigating the negative consequences of a pandemic. According to the provisional rules, banks and non-banking financial and credit organizations registered in the Kyrgyz Republic **shall not**:

- charge or levy any commissions and/or other payments related to the revision of the terms of loan agreements; and
- impose or levy penalties, including forfeit (fine/penalty), on borrowers for failure to fulfill / improper performance of obligations stipulated by loan agreements.

In addition, it was **recommended** that, in case there is a relevant application from the borrower, banks and non-banking financial and credit organizations revise the terms of payments on loans related to the circumstances of the distribution of COVID-19 and provide a delay of payments for at least 3 (three) months.

Decree of the NBKR Board dated 23 March 2020 No. 2020-II-12/14-1-(БC) approved measures to minimize risks in the activities of banks and non-banking financial and credit organizations in the event of a threat of mass infection of the population to ensure the functioning of critical business processes of banks and non-banking financial and credit organizations. The approved measures include:

- posting of information on issues of sanitary and epidemiological protection during the provision of financial services;
- preventing the accumulation of a large number of people, the mandatory installation of disinfectants, as well as ensuring that customers maintain a safe distance in line;
- providing employees who are in direct contact with customers with personal protective equipment;
- transferring personnel not directly involved in working with clients and not responsible for the critical infrastructure of the bank to the remote work mode;
- obligatory preliminary coordination with the NBKR of decisions to close / suspend the activities of separate structural units;
- ensuring the smooth functioning of separate structural units, ATMs, POS-terminals and automated self-service terminals; and
- providing on an ongoing basis the ability to solve problematic problems associated with the failure of equipment, software or other infrastructure.

In addition, during the period of the above decree, official correspondence of banks and non-banking financial and credit organizations with the NBKR may be carried out in electronic format.

Decree of the NBKR Board dated 24 March 2020 No. 2020-II-12/15-7-(HIIA) adopted provisional decisions on the issue of establishing economic standards and requirements for banks and non-banking financial and credit organizations of the Kyrgyz Republic. In particular, such provisional decisions include the suspension of the following decrees of the NBKR Board:

- On approval of the Regulation “On requirements for the disclosure of information on the activities of a commercial bank” dated 30 October 2019 No. № 2019-II-12/54-4-(HIIA); and

- On the Regulation “On the requirements for the formation of financial statements and the presentation of information by non-banking financial and credit organizations operating on the basis of a license (certificate) of the National Bank of the Kyrgyz Republic” dated 27 December 2003 No. 36/1.

The entry into force of the following decrees of the NBKR Board was also suspended:

- On Amending Certain Normative Legal Acts of the National Bank of the Kyrgyz Republic dated 27 December 2019 No. 2019-II-12/68-2-(HIIA);
- On approval of the Regulation “On economic standards and requirements for commercial banks of the Kyrgyz Republic” dated 27 December 2019 No. 2019-II-12/68-3-(HIIA); and
- On approval of the Regulation “On the calculation of the liquidity ratio of commercial banks” dated 27 December 2019 No. 2019-II-12/68-4-(HIIA).

The following standards are established for commercial banks:

- liquidity ratio (K3.1) - from 1 April 2020 shall be at least 30 percent; and
- degree of credit risk for loans listed in subparagraph 6 of paragraph 4.3 of the Instructions for determining the standards of sufficiency (adequacy) of capital of commercial banks of the Kyrgyz Republic - 100 percent.

In addition to the above, starting from 30 March 2020 compliance with the standards (indicators) of short-term liquidity (K3.2) and instant liquidity (K3.3) was suspended.

In addition, banks and non-banking financial and credit organizations should create a reserve for covering potential losses in the amount of 100 percent for the amount of overdue accrued interest payments on loans that have been given the status of non-accrual of interest income, when overdue arrears of 270 days or more, associated with distribution of COVID-19.

Decree of the NBKR Board No. 2020-II-09\15-9-(HIIA) dated 24 March 2020 adopted the Interim Regulation “On the provision of loans by the National Bank of the Kyrgyz Republic to commercial banks in order to mitigate the negative effects of the COVID-19 pandemic in the Kyrgyz Republic”. The Regulation defines the general conditions and procedures for provision of loans by the NBKR to a commercial bank in the Kyrgyz Republic licensed by the NBKR. In particular, such conditions include the following:

- a loan is provided to the bank in national currency on the terms of urgency, payment, repayment and security;
- a loan is provided to a bank to comply with mandatory reserve requirements, fulfill the economic and other NBKR standards, and timely fulfill obligations to depositors;
- a bank may apply to the NBKR for a loan from the date of entry into force of this Regulation and 30 June 2020;
- terms and conditions of the loan are determined by the NBKR Board, and the interest rate on the loan is set at the NBKR rate at the filing date of the application;
- a bank is entitled to request the loan no more than 5 (five) times within the period;
- a loan is provided on the day the bank submits the application, and the registration of the pledge is carried out within 10 (ten) business days from the date the loan was provided.

At the request of the NBKR, a bank provides a report on the use of loan and other necessary documents.