

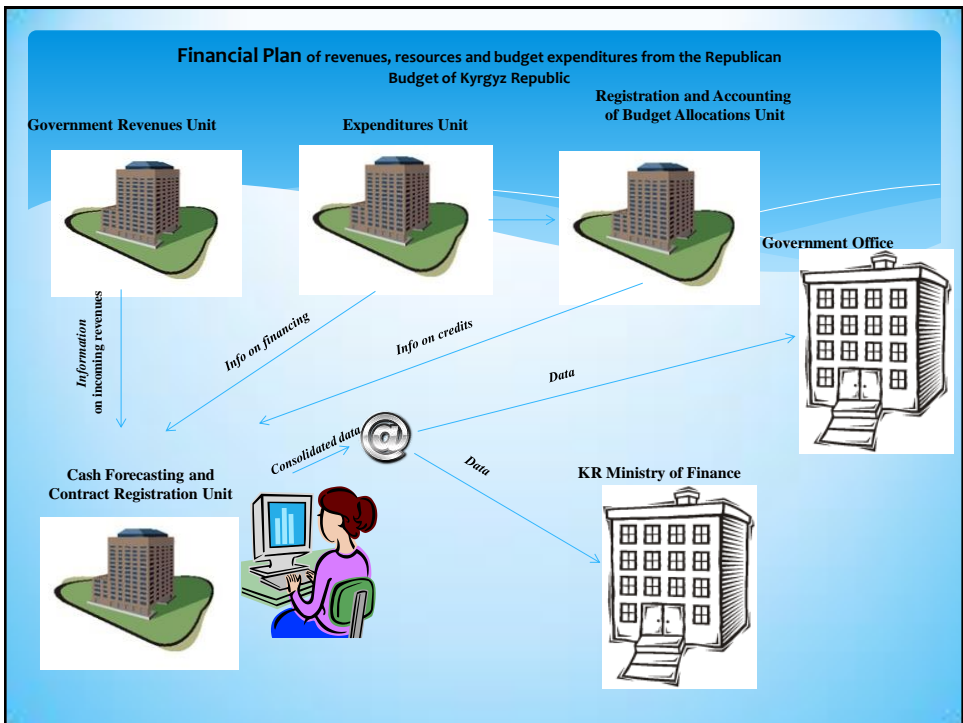
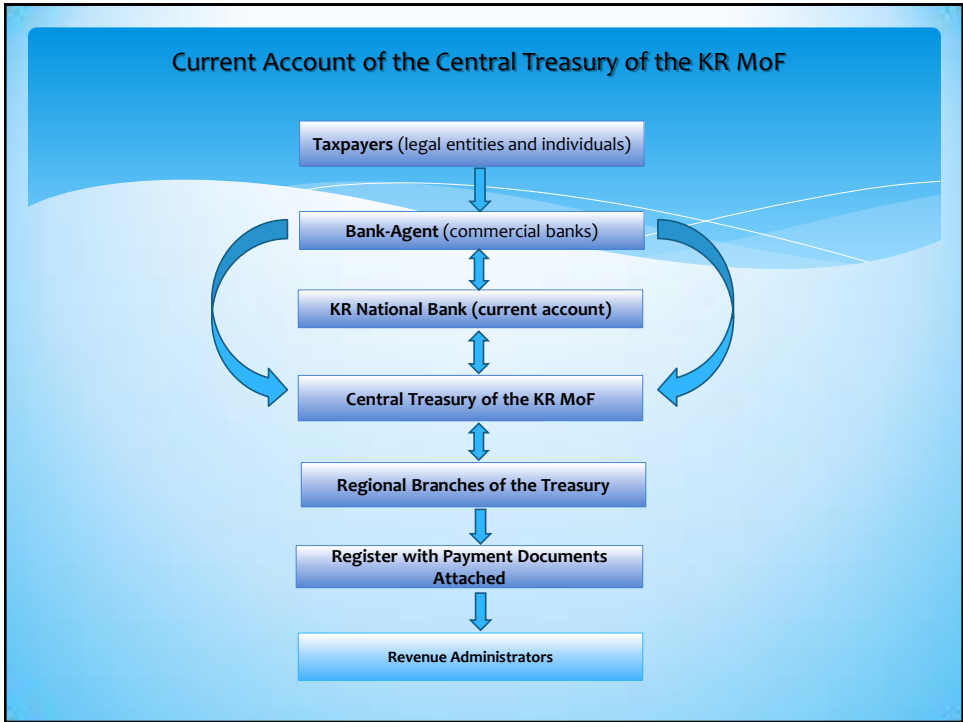
Central Treasury of the Ministry of Finance of Kyrgyz Republic



Liquidity Management and Forecasting Tools

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Management of Government Securities

Government securities are bonds emitted by the Ministry of Finance of Kyrgyz Republic (hereinafter GS) on the territory of Kyrgyz Republic.

The amount of each GS emission is determined by the Emitter within the maximum amount set in Kyrgyz Republic Law "On the Republican Budget of Kyrgyz Republic" for the current year.

GS are emitted with the purpose to cover the deficit of the Kyrgyz Republican budget and refinance mature public debt.

Government securities include Treasury Bills (hereinafter, T-Bills) and Treasury Bonds (T-Bonds).

Treasury Bills have maturity terms of 1 to 12 months, and their maturity term in days must always be divisible. Face value of one T-Bill is 100 KGS.

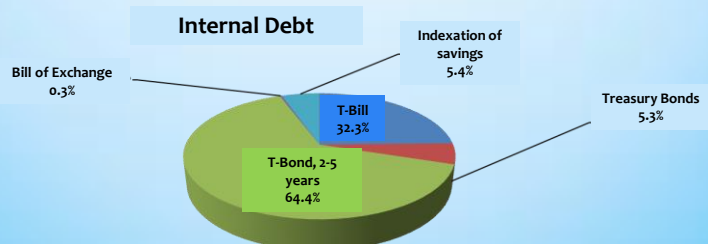
T-Bonds have maturity terms of over 1 year, while their face value and parameters of each issue are determined by the Emitter on the date of T-Bond emission.

Internal debt service was allocated 8,563.7 mln KGS in 2014, including 1,221.7 mln KGS interest charges and 7,342.0 mln KGS principal amount.

09.06.2015

Government Securities Composition, 2014

Name	Thousand KGS	Thousand US dollars *	%
SHORT-TERM SECURITIES	3 048 150	51 763	24.7
Treasury Bills (T-Bills)	3 048 150	51 763	24.7
LONG-TERM SECURITIES	8 650 027	146 893	70.0
Treasury Bonds (T-Bonds)	659 009	11 191	5.3
Treasury Bonds (T-Bonds) (with maturity of 2-5 years)	7 956 300	135 112	64.4
Bill of Exchange (bank arrears to the depositors)	34 718	590	0.3
INDEXATION OF PERSONAL SAVINGS	664 059	11 277	5.4
TOTAL	12 362 236	209 933	



Cash Balances on Government Accounts of Kyrgyz Republic

Before 2013, cash balances on Kyrgyz Government accounts were awarded interests in accordance with the Agreement between Kyrgyz Government and the National Bank of Kyrgyz Republic; interests were accumulated on a separate account for debt service (ADS).

Interests awarded from 2008 to 2013 :

- * 2008 – 94.3 mln KGS,
- * 2009 – 54.3 mln KGS,
- * 2010 – 38.5 mln KGS,
- * 2011 – 71.9 mln KGS,
- * 2012 – 116.1 mln KGS,
- * 7 months of 2013 – 45.2 mln KGS.

All cash resources of Kyrgyz Government are deposited on accounts with the National Bank, and daily balances in 2011-2013 were important amounts within 4.0 – 8.0 billion KGS, i.e. in those years they were not just “held” on accounts but also generated additional revenues to the state budget.

According to the Agreement, the amounts of awarded interests were used only to redeem financial liabilities of Kyrgyz Government to the National Bank. From 2011 on, free cash balances on ADS were used to redeem all public debts, including foreign debt.

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Cash Balances on Government Accounts of Kyrgyz Republic

Once liabilities and debt were fully redeemed, the National Bank of Kyrgyz Republic stopped awarding interests on Kyrgyz Government cash from June 2013.

In this context, the Ministry of Finance of Kyrgyz Republic initiated a joint decree of Kyrgyz Government and National Bank of Kyrgyz Republic regarding the award of interests for cash balances, in order to enhance sustainability, reliability and transparency of the financial system, liquidity management, to ensure safety and growth of public finance, as well as to ensure further award of interests, whereas the awarded interests are earmarked and – as a stable source of income – will be designated for redemption of domestic and foreign public debt.

However, with amendments and additions made to the legal documents and procedures of the National Bank of Kyrgyz Republic, this draft decree was not endorsed.

The Ministry of Finance of Kyrgyz Republic deems it reasonable to place cash balances of Kyrgyz Government on fixed-term deposit accounts.

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Thank you for attention!!!