



On approval of the Rules for the Formation and Use of Reasoned Judgment

Invalidated Unofficial translation

Resolution of the Board of the National Bank of the Republic of Kazakhstan of October 29, 2018 No. 271. Registered in the Ministry of Justice of the Republic of Kazakhstan on November 16, 2018 No. 17752.

Unofficial translation

Footnote. It became invalid by the Decree of the Government of the Republic of Kazakhstan dated 12.11.2019 No. 189 (effective from 01.01.2020).

In compliance with the Law of the Republic of Kazakhstan dated March 30, 1995 "On the National Bank of the Republic of Kazakhstan", the Board of the National Bank of the Republic of Kazakhstan hereby RESOLVED as follows:

1. That the attached Rules for the Formation and Use of Reasoned Judgment shall be approved

2. In accordance with the procedure established by the legislation of the Republic of Kazakhstan, the Bank Supervision Department (O. T Kizatov.) shall:

1) jointly with the Legal Department (N.V. Sarsenova) ensure the state registration of this resolution with the Ministry of Justice of the Republic of Kazakhstan;

2) within ten calendar days from the date of state registration of this resolution, send its copies both in Kazakh and Russian languages to the Republican State Enterprise on the Right of Economic Management "Republican Center of Legal Information" for official publication and inclusion into the Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan;

3) place this resolution on the Internet resource of the National Bank Of the Republic of Kazakhstan after its official publication;

4) within ten working days after the state registration of this resolution submit to the Legal Department the Information on the implementation of measures provided for in subparagraphs 2), 3) of this paragraph and paragraph 3 of this resolution.

3. within ten calendar days after the state registration of this resolution, the Department for Protection of the Rights of Consumers of Financial Services and External Communications (Terentyev A. L.) shall provide its copy to the periodic printing publications for official publication.

4. Deputy Chairman of the National Bank of the Republic of Kazakhstan O. A. Smolyakov shall be authorized to oversee the implementation of this resolution.

5. This resolution shall enter into force from January 1, 2019 and shall be subject to official publication.

Approved
by Resolution of the Board of the
National Bank of the
Republic of Kazakhstan
No. 271 dated October 29, 2018,

Rules for the Formation and Use of Reasoned Judgment

Chapter 1. General provisions

1. These Rules for the Formation and Use of Reasoned Judgment (hereinafter referred to as the Rules) shall be developed in accordance with the Law of the Republic of Kazakhstan dated March 30, 1995 "On the National Bank of the Republic of Kazakhstan" (hereinafter referred to as the Law) and shall determine the procedure for formation and use of reasoned judgment.

2. The Rules shall use the following concepts:

1) collegial body – the body of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the National Bank), which shall accept reasoned judgment, composition and procedure of activity, which shall be approved by the Board of the National Bank;

2) supervisory unit – subdivision of the National Bank, providing control and supervision over the activity of financial organizations and forming the reasoned judgment project of the National Bank;

3) reasoned judgment – a reasoned professional report of a collegial body, which shall be the basis for the implementation of measures of supervisory response and decision-making in cases provided by the Law and the Laws dated 31 August 1995 "On Banks and Banking Activities in the Republic of Kazakhstan" (hereinafter referred to as the Law on Banks), dated December 23, 1995 "On Mortgage of Immovable Property", dated December 18, 2000 "On Insurance Activities" (hereinafter referred to as the Law on Insurance Activities), dated June 3, 2003 "On Fund Insurance Payments Guarantee Fund", dated July 2, 2003 "On Securities Market" (hereinafter referred to as the Law on Securities Market).

3. The National Bank shall form and use reasoned judgment in respect of persons referred to paragraph 1 of Article 62-6 of the Law, in order to protect the legitimate interests of depositors, creditors, insurers, clients, investors and correspondents of financial organizations, to ensure financial stability, to avoid worsening the financial situation and to increase the risks associated with the activities of financial organizations referred to in paragraph 1 of Article 62-6 of the Law, as well as early intervention and adoption timely oversight.

The principles stipulated in the second paragraph 3 of Article 62-6 of the Law shall be observed in the use of reasoned judgment.

4. Reasoned judgment shall be used by the National Bank in cases stipulated by the second part of paragraph 2 of Article 62-6 of the Law.

Chapter 2 Procedure for forming reasoned judgment

5. The supervisory unit shall carry out development of reasoned judgment project.

6. The reasoned judgment project shall be based on the information referred to in paragraph 3 of Article 62-6 of the Law.

To develop a reasoned judgment project, the supervisory unit shall use relevant and reliable information. The use of oral information shall be prohibited.

Information shall be deemed relevant if it contains facts that shall be corroborated, refuted or questioned about the existence of circumstances relevant to the formation of a reasoned judgment.

The information shall be recognized reliable if it is obtained by the supervisory unit in a lawful way from various sources and represent the facts based on which the supervisory unit shall determine the existence or absence of circumstances, relevant to the formation of a reasoned judgment, as well as documented confirmation.

7. In developing a reasoned judgment project for the application of the supervisory response, the supervisory unit shall take into account the explanations of the persons referred to in Article 62-6, paragraph 1 of the Law, in its existence. In order to obtain these explanations, the supervisory unit shall forward the relevant request. Failure to represent the person referred to in paragraph 1 of Article 62-6 of the Law, explanations within the period determined by the National Bank and constituting not less than 5 (five) working days from the date of receipt of the request shall be considered as absence thereof.

8. The supervisory unit shall forward the reasoned judgment project to the person referred to in paragraph 1 of Article 62-6 of the Law, which within five (5) working days from the date of its receipt, submit to the supervisory unit a reasoned response to consent or disagreement with a reasoned judgment project.

Failure to represent the person referred to in paragraph 1 of Article 62-6 of the Law, reasoned response within the prescribed period shall be considered as consent of the person with the reasoned judgment project.

9. On the basis of consideration of the reasoned response about the disagreement with the reasoned judgment project in case of its submission by the person referred to in paragraph 1 of Article 62-6 of the Law, the supervisory unit shall determine the need to reasoned judgment project for consideration by a collegial body.

When the supervising subdivision of the reasoned judgment project is submitted to the collegial body, it shall be accompanied by materials (documents), including a

reasoned response to the consent or disagreement of the person referred to in paragraph 1 of Article 62-6 of the Law, with the reasoned judgment project (in its existence).

10. Because of consideration of the reasoned judgment project and the materials (documents) attached thereto, the collegial body shall take one of the following decisions:

- 1) reasoned judgment;
- 2) a decision on the absence or insufficiency of grounds for the formation and use of reasoned judgment.

Chapter 3. How to use reasoned judgment

11. Reasoned judgment on evaluation of business reputation shall be a reasonable professional report of the collegial body on the presence or absence of impeccable business reputation in:

1) a candidate for the position of a managing officer of a bank, a bank holding, an organization that shall perform certain types of banking operations, an insurance (reinsurance) company, an insurance holding company, an insurance broker, an organization, guaranteeing the application of insurance payments, a professional participant of the securities market (except for organizations carrying out transfer-agency activities);

2) a supervising employee (or a candidate recommended for appointment or election to the position of executive officer) of the subsidiary organization created, acquired by the bank, bank holding, insurance (reinsurance) company, insurance holding;

3) the executive officer (or candidate recommended for appointment or election to the position of executive officer) of the organization in which the bank, bank holding, insurance (reinsurance) company, insurance holding shall acquire significant participation in capital;

4) the applicant (for an individual) or the executive officer of the applicant (for a legal entity) acquiring the status of a major participant of the bank, the insurance (reinsurance) company, managing the investment portfolio, the bank holding, insurance holding.

12. In assessing the business reputation of a person referred to in paragraph 11 of the Rules, the following cases, facts and/or circumstances shall be considered:

1) attraction of the person, specified in paragraph 11 of the Rules, to criminal liability for criminal offenses against the person, against property, in the sphere of economic activity, for corruption and other criminal offenses against interests civil service and civil management;

2) Participation of an individual referred to in paragraph 11 of the Rules as an accused or defendant in criminal proceedings in connection with criminal offences against the person, against property, in the sphere of economic activity, for corrupt and other criminal offences against the interests of civil service and civil management;

3) existence of violations of the requirements of the legislation of the Republic of Kazakhstan or the legislation of another state regulating professional activities, which have been engaged in (engaged) person, specified in paragraph 11 of the Rules;

4) Evasion of the person specified in paragraph 11 of the Rules, from fulfillment of the requirements of international professional standards, applied in the Republic of Kazakhstan, in the part of ethics, exclusion of conflict of interests;

5) Recognition of non-creditworthiness of a legal entity in which the person referred to in paragraph 11 of the Rules shall have been an official and (or) a major shareholder (major participant), during the period of activity of the person as an official and (or) positioning the status of a major shareholder (major participant) of the legal entity or within 2 (two) years after termination of its authority as an official and (or) loss of the status of a major shareholder (major participant) of the legal entity;

6) termination of the employment contract with the person specified in paragraph 11 of the Rules, upon the initiative of the employer on negative motives;

7) submission by the person referred to in paragraph 11 of the Rules, false information by the candidate himself/herself (his/her personality, professional activity, affiliated with him/her) or his/her property or evasion of the submission of such information.

The Provisions of part one of this paragraph shall also apply to cases, facts and (or) circumstances having a place in the territory of a foreign states.

13. The reasoned judgment on the assessment of the financial situation shall be a reasonable professional report of the collegial body on the presence or absence of unstable financial situation of the founder of the bank, insurance (reinsurance) organization, applicant, acquiring the status of a major participant of the bank, insurance (reinsurance) company, managing investment portfolio, bank holding, and insurance holding.

14. In assessing the financial situation of the person referred to in paragraph 13 of the Rules, the following cases, facts and/or circumstances shall be considered:

1) in respect of the person referred to in paragraph 13 of the Rules, the court shall enforce the collection of the debt, not executed on the date of application for issuance of permits, referred to in subparagraph 1) part two of paragraph 2 of Article 62-6 of the Law, or during its consideration or the person referred to in paragraph 13 of the Rules have overdue or executed obligations in the amount of more than KZT 100 000 000 (one hundred million);

(2) the legal entity referred to in paragraph 13 of the Rules have restructured its obligations to creditors in the view of its worsening financial situation;

(3) in respect of the legal entity referred to in paragraph 13 of the Rules, an accelerated rehabilitation procedure, rehabilitation procedure or insolvency procedure have been applied;

4) participation of an individual referred to in paragraph 13 of the Rules as an accused or defendant in criminal proceedings in connection with criminal offences against the person, against property, in the sphere of economic activity, for corrupt and other criminal offences against the interests of civil service and civil management;

5) The person referred to in paragraph 13 of the Rules, have no property and (or) money sufficient to provide additional capitalization of the bank, the insurance (reinsurance) company, managing the investment portfolio in order to ensure their financial stability in accordance with the requirement of the National Bank, stipulated by subparagraph 6) of paragraph 2 of Article 47-1 of the Law on banks, subparagraph 6) of paragraph 2 of Article 53-4 of the Law on insurance activity, subparagraph 3) of paragraph 2 of Article 72-3 of the Law on the Securities Market;

6) the relationship of obligations of a legal entity referred to in paragraph 13 of the Rules to its own capital is more than 5 (five), for a financial institution-more than 10 (ten).

15. Reasoned judgment on the recognition of a person as a person associated with a special relationship with the bank shall be a reasonable professional report of the collegial body on the existence of signs of the relationship of the person concerned with special relations with the bank in cases where:

1) a bank, a major bank participant, a participant of a banking conglomerate have control over a legal entity in accordance with international financial reporting standards;

2) cash flows and (or) basic obligations of an individual or legal entity having risen as a result of a transaction with the bank and (or) a person connected with the bank by special relationship, which will lead to a worsening of the bank's financial position;

3) the purpose of obtaining a bank loan and (or) its use does not correspond to the nature of economic activity and (or) the needs of the borrower-an individual or legal entity based on his entrepreneurial or work activity and (or) business plan of such entity;

4) information on the ownership structure of the borrower –a legal entity does not provide an opportunity to establish all the final beneficiaries and (or) all participants owning more than 10 (ten) percent of voting shares (except for cases when the shares shall be in nominal holding) or shares of participation in the authorized capital of the borrower – legal entity;

5) the expected cash flows of an individual or legal entity, taking into account the collateral is not sufficient to repay the obligations on the bank loan at the date of the decision on its issuance (except in cases of bank taking measures to improve the quality of assets of the bank);

6) the decision of the corresponding body of the bank, which is authorized to make decisions on alienation of assets, change of pledge and termination of pledge, decisions on the issue of bank loans and bank guarantees, on the transaction with the borrower-individual or legal entity (except for cases of execution before the bank of obligations secured by the pledge, for enclosure by the bank of the pledge, replacement of the pledge on the equivalent) taken with a substantial violation of the bank's requirements for the concluded transactions, provided by the bank's internal documents , lead to or resulted in significant risks for the bank;

7) the terms of the bank loan agreement concluded with the borrower – an individual or legal entity, shall assume not corresponding to the customs of business turnover limitation of liability of the borrower – an individual or legal entity on fulfillment of conditions of bank loan agreement, shall provide the events, the occurrence of which terminate completely or in part of the obligation of the borrower-an individual or legal entity under the bank loan agreement, and lead or have resulted significant risks to the bank

8) the terms of the transaction of the bank with an individual or legal entity shall meet the criteria for recognition of transactions with preferential conditions, provided by paragraph 2 of Article 40 of the Law on banks, paragraph 20 of the Rules and additional criteria for the attribution of transactions to transactions with preferential conditions established by the regulatory legal act of the National Bank in accordance with the second part of Article 40, paragraph 2 of the Law on banks.

The cases provided for in subparagraphs 1), 2), 3), 5), 6) and 7) of the first part of this paragraph shall be considered by the supervisory unit if the transaction amount, including several transactions with the same person, shall:

Be more than 2 (two) percent of the bank's own capital at the date of decision-for banks with the size of their own capital up to KZT 100 000 000 000 (one hundred billion) inclusive;

Be more than 1 (one) percent of the bank's own capital at the date of decision-for banks with the size of their own capital over KZT 100 000 000 000 (one hundred billion).

The conditions stipulated in the second part of this paragraph shall not apply to the cases of the transaction (several transactions), which (which) provide (provide) evasion of the specified size of transactions.

If the bank and/or the person have an adequate and effective risk management and internal control system, allow minimizing the risks from transactions with the person in

the cases, provided for in the first part of this paragraph, such person shall not be recognized as the person associated with special relationship with the bank.

16. Reasoned judgment on the recognition of a person as a person associated with a special relationship with the insurance (reinsurance) company shall be a reasonable professional report of the collegial body on the existence of signs of connectedness of the person concerned with a special relationship with the insurance (reinsurance) company in cases where:

1) insurance (reinsurance) company, a major participant of the insurance (reinsurance) company, the member of the insurance group have control over the legal entity in accordance with international financial reporting standards;

2) the decision of the corresponding body of the insurance (reinsurance) company, which authority include making decisions on the alienation of assets, decisions on the conclusion of transactions with an individual or legal entity, including insurance (reinsurance), accepted with a substantial violation of the requirements of the insurance (reinsurance) company to the concluded transactions provided by the internal documents of the insurance (reinsurance) company, and lead or have resulted in significant risks to the insurance (reinsurance) company;

3) the contract of insurance (reinsurance), concluded with the person, contain the conditions excluding occurrence of the insured event and (or) realization of the insurance payment;

4) conditions of the transaction of an insurance(reinsurance) company with an individual or legal entity meet the criteria for recognition of transactions with preferential conditions stipulated by paragraph 2 of Article 15-1 of the Law on Insurance Activity, paragraph 20 of the Rules and additional criteria for the allocation of transactions to transactions with preferential conditions established by the regulatory legal act of the National Bank in accordance with part 2 of Article 15-1 of the Law on Insurance Activities.

If an insurance (reinsurance) company and (or) person have an adequate and effective system of risk management and internal control, which allow minimizing risks from transactions with a person in cases provided for in the first part of this paragraph, such person shall not be recognized by the person connected with the insurance (reinsurance) company with special relationship.

17. In the formation of reasoned judgment on the recognition of a person as a person associated with a bank, an insurance (reinsurance) company with special relationship, in the cases provided for in subparagraph 1) of paragraph 15 and subparagraph 1) of paragraph 16 of the Rules, the National Bank shall consider the report of the independent expert, including the bank, the insurance (reinsurance) company.

18. The requirements set out in paragraphs 15 and 17 of the Rules shall apply to bank holdings (except for non-residents of the Republic of Kazakhstan who are bank holding or a person possessing the characteristics of a bank holding and corresponding requirements of paragraph 9 of Article 40 of the Law on Banks) and organizations carrying out certain types of banking operations.

19. The requirements set out in paragraphs 16 and 17 of the Rules shall apply to insurance holdings, except for non-residents of the Republic of Kazakhstan, which are the insurance holding company, a person possessing the signs of the insurance holding and corresponding requirements of subparagraph 1) of paragraph 6 of Article 15-1 of the Law on Insurance Activities, and insurance holdings, which are bank holdings, which are the part of the banking conglomerates.

20. Reasoned judgment on the establishment of the fact that the bank, the insurance (reinsurance) company grant preferential conditions to persons associated with special relationships, as well as the attribution of the transaction, provided by the bank, insurance (reinsurance) company, to transactions with preferential conditions shall be a reasonable professional report of the collegial body on the existence of signs indicating the provision by the bank, the insurance(reinsurance) company of preferential conditions to persons, connected with special relationship, in case of exceeding the size of the transaction of the internal limit established by the bank, the insurance (reinsurance)company for such type of transactions, without proper economic analysis.

21. Reasoned judgment on the quality assessment of the risk management system and internal control in the bank shall present a reasonable professional report of the collegial body on the quality of risk management system and internal control in the bank and shall be applied for evaluation:

1) risk-profile and risk-appetite (acceptable level of risks) of the bank for compliance with the chosen business model and development strategy;

2) strategic and budget planning for compliance of the bank's budget with the economic goals determined by the bank's strategy, business model, and the risks taken by the bank;

3) the quality of forecasting the bank's main financial indicators for:

adequacy of the assumptions used in the budget formation (overstatement or underestimation of the planned volume of assets, liabilities, capital (profit or loss);

availability of an analysis of budget compliance with actual indicators;

4) methods of determining the aggregate level (levels) of risk-appetite of the bank and the level of risk appetite for each type of risk for:

availability of the necessary level of equity and liquidity to cover the established levels of risk appetite;

adequacy of the limit value of quantitative and qualitative limits on different types of risks within a multilevel system of limits;

5) quality of the corporate management system of the bank for:
availability and compliance of measures to resolve conflicts of interest in corporate management;

availability of the fact of making decisions on the conclusion of transactions or on the implementation of transactions in the presence of significant risks, which have been available in written information prepared by the bank's units that manage risks. The Provisions of this paragraph shall apply to a transaction or aggregate of transactions, the amount of which shall be:

more than 1 (one) percent of the bank's own capital at the date of decision-for banks with the size of their own capital up to KZT 100 000 000 000 (one hundred billion) inclusive;

more than 2 (two) percent of the bank's own capital at the date of decision-for banks with the size of their own capital over KZT 100 000 000 000 (one hundred billion);

6) internal procedures for determining the adequacy of equity and liquidity to cover the risks inherent in the bank's activities on the subject:

quality of risk assessment;

availability of stress testing results in the assessment of capital adequacy;

applying the appropriate risk profile in the process of determining the adequacy of equity;

adequacy of assumptions in the evaluation of potential customer outflows in stressful situations and adequacy of assessment of the required level of liquid assets for the purpose of their covering;

7) implementation of internal policies, as well as procedures for the management of risks inherent in the bank's activities, for the purpose of:

compliance with regulated procedures;

compliance with internal policies on transactions, including exceptions, documenting such exceptions with informing the board of directors on the conclusion of transactions that shall not conform to the procedures and policies approved by the bank;

8) procedures for identification of persons associated with the bank with special relationship, for the following:

availability and observance of appropriate restrictions for transactions with persons connected with the bank by special relationship, including the prohibition on granting preferential terms thereto;

identification of persons associated with the bank with special relationship, with necessary information, in order to prevent the conclusion of transactions on preferential terms and increase the concentration of credit risk;

disclosure of transactions with persons associated with the bank with special relationships;

9) procedures for the analysis of the property accepted by the bank for the purpose of:

correctness of the method of determining the market value of pledge, the correctness of market value, taken into account when issuing a bank loan and the formation of reserves (provisions), taking into account the application of independent evaluation in cases of disputes;

compliance with the terms for foreclosure on the subject of pledge;

conformity of terms of the pledge agreement to the structure of provided financing taking into account the borrower's financial position (co-borrower, guarantor);

possibility of realization of the right of foreclosure on the subject of pledge;

10) effectiveness of credit risk management of the bank on the subject:

availability and compliance with internal policies and procedures of crediting;

availability and compliance of procedures to identify assets with the signs of impairment in accordance with international financial reporting standards, including the submission to the board of directors of the bank information on the specified assets, the adoption of measures to manage them

adequacy of assumptions used to assess borrowers' business plans;

periodicity of monitoring of individual bank loans;

adequacy of frequency and completeness of monitoring of borrowers with signs of worsening of financial condition;

bank's credit administration procedures;

the possibility of borrowers who have received a bank loan in foreign currency to adequately respond to changes in the exchange rate of the loan;

11) quality of the internal rating of borrowers (scoring) of the bank on the subject:

adequacy of the used models of rating evaluation of borrowers (scoring) of the bank;

timeliness of changes in the used models of rating evaluation of borrowers (scoring) of the bank in order to maintain their relevance, including in terms of assigned weights, points;

implementation of periodic validation of the rating models of borrowers (scoring) of the bank;

12) conformity of the size of the formed provisions(reserves) with the requirements established by Resolution of the Board of the National Bank № 269 dated December 22, 2017 "On Approval of the Rules for the Establishment of Provisions (Reserves) in Accordance with International Standards of Financial Reporting and Requirements of

the Legislation of the Republic of Kazakhstan on Accounting and Financial Reporting" , registered in the Register of State Registration of Regulatory Legal Acts under № 16502;

13) methods for determining the fair value of financial instruments to reflect their adequate value;

14) effectiveness of the bank's funding strategy for:

sufficiency and necessity of diversification of sources of funding by types, currencies, terms;

availability of high concentration in the structure of funding;

availability of alternative sources of funding;

availability of uncontrolled significant gaps between the assets and liabilities in terms of time and currency;

15) procedures for management of liquidity of the bank on the subject:

sufficiency of liquid assets level for timely fulfillment of payment obligations, including the daily need for liquid funds taking into account unforeseen outflows;

validity of the inclusion in the liquid assets of instruments available for implementation in the short term in the current market conditions;

correctness of planning of funding outflows;

16) the effectiveness of the bank's early warning system, aimed at timely response to changes in internal and (or) external risk indicators, to:

correctness of the indicators of the early warning system, including accounting for the information available to the bank, potentially influencing the risk level increase;

adequacy of the bank's actions while increasing the risk identified in the early warning system;

timeliness and effectiveness of mandated activities in excess of established levels of the early warning system;

17) a plan of financing in case of unforeseen circumstances and ensuring the continuity of the bank's activity on the subject:

availability of the list of effective and reasonable measures to restore liquidity and sufficiency of equity in the implementation of risks inherent in the bank's activities;

confirmed the probability of implementation of stressful scenarios, unforeseen circumstances;

determining the necessary resources to restore the bank's activities, their adequacy;

18) efficiency of procedures of management of operational risk of the bank on the subject:

availability and compliance of operational risk assessment procedures in key business areas, services, processes and information systems;

availability and compliance of operational risk assessment procedures in the implementation of new financial services and products;

availability of the necessary instruments to identify effectively operational risks and management measures;

documenting the facts of major losses due to the implementation of operational risk and implementation of measures to minimize them;

19) effectiveness of the risk management system and internal control of the bank in the sphere of counteraction to legalization (laundering) of proceeds of crime and financing of terrorism, for the following purpose:

exposure of the financial institution to the risk of legalization (laundering) of proceeds of crime and the financing of terrorism;

adequacy of procedures for identification of the client (its representative) and beneficial owner, adequacy of the assessment of risk of legalization (laundering) of proceeds of crime, and financing of terrorism by client type;

identification of operations subject to financial monitoring;

efficiency of interaction of subdivisions on issues of counteraction to legalization (laundering) of proceeds of crime and financing of terrorism;

adequacy and sufficiency of the measures taken by the bank to minimize the risk of legalization (laundering) of proceeds of crime and financing of terrorism;

vulnerabilities of provided services, as well as ways of their granting to the risk of legalization (laundering) of proceeds of crime and financing of terrorism;

20) stress testing in the bank on the subject:

completeness, correctness and validity of the scenarios used;

the relevance of projected changes in external and internal indicators in scenarios;

adequacy of stress testing models and procedures;

applying stress testing results in the bank's risk management system and taking managerial decisions (if necessary);

availability of interrelation (correlation) of change of risk-factors on structure of assets and liabilities of the bank;

21) the quality of the management information system on the risks inherent in the bank's activities for the reliability, completeness, timeliness of information provided to the collegial bodies of the bank, as well as the completeness of the disclosure of risks in the pointed information for management decision-making purposes;

22) the effectiveness of the system of three protection lines for:

independence of subdivisions and conformity to qualification requirements of workers of the second and third lines of protection;

the existence and observance of measures to settle the conflict of interest between the members of the system of three protection lines and (or) combining the functional responsibilities of its participants;

23) the quality of internal control procedures for:

compliance of the bank's internal documents with the requirements of banking legislation of the Republic of Kazakhstan and (or) untimely bringing of the bank's internal documents in compliance with banking legislation Of the Republic of Kazakhstan;

the availability of a substantial volume of transactions concluded without compliance with the established internal procedures of the bank;

24) effectiveness of the internal audit unit of the bank in conducting an independent assessment of the effectiveness of risk management procedures for:

applying a risk-oriented approach to the planning of the internal audit unit;

providing audit-based recommendations to improve the effectiveness of risk management procedures;

procedures for monitoring the implementation of recommendations issued by the internal audit unit.

the Provisions provided for in subparagraphs 1), 2), 3), 6), 16), 17) and 21) of this paragraph shall apply to the banking conglomerate.

22. Reasoned judgment on the quality assessment of the risk management system and internal control in the insurance (reinsurance) company and the insurance group, a professional participant of the securities market (with the exception of organizations carrying out transfer-agency activity) shall be a reasonable professional report of the collegial body on the quality of risk management system and internal control in the insurance (reinsurance) company and the insurance group, professional securities market participant (with the exception of organizations, carrying out transfer-agency activity) and shall be applied in cases, provided by subparagraphs 1), 2), 3), 4), 5), 6), 7), 18), 19), 20), 21), 22), 23) and 24) (for the insurance (reinsurance) organization, professional participant of securities market), subparagraphs 1), 2), 3), 6), 16), 17) and 21) (for insurance group) of paragraph 21 of the Rules.

23. Reasoned judgment on the assessment of adequacy of provisions (reserves) of the bank, insurance (reinsurance) company, professional participant of the securities market (with the exception of organizations, carrying out transfer-agency activities) shall be a reasonable professional report of the collegial body on the conformity of the formed provisions (reserves) of the bank, the insurance (reinsurance) company, the professional participant of the securities market (with the exception of organizations, carrying out transfer-agency activity) to the international standards of financial reporting, methods on formation of provisions (reserves), including conformity of methods on their formation of risks of the bank, the insurance (reinsurance) company, a professional participant of the securities market, and the reliability of information used for their formation.

24. Reasoned judgment on the assessment of adequacy of insurance reserves, formed by the actuary, licensed to carry out actuarial activity in the insurance market (

hereinafter referred to as the Insurance Reserves), shall be a reasonable professional report of the collective body on compliance of insurance reserves with international standards of financial reporting, methods of calculating insurance reserves and their structure, including the conformity of methods for their formation of risks of the insurance (reinsurance) company, and the reliability of information used for their formation.

Reasoned judgment on the assessment of adequacy of insurance reserves shall be used in cases (but not limited to):

Unreasonable change in the method of calculating insurance reserves or parameters used in the calculation of insurance reserves, which results in improved performance of prudential standards and other mandatory standards and limits, established by Resolution of the Board of the National Bank № 304 dated December 26, 2016 "On Establishment of Regulatory Values and Methods of Calculations Prudential Standards of Insurance (Reinsurance) Company and Insurance Group and Other Obligatory to Observance of Norms and Limits, List, Forms, Terms of Reporting on Performance of Prudential Norms by Insurance (Reinsurance) Companies and Insurance Groups, Rules of Reporting on Fulfillment of Prudential Regulations by Insurance (Reinsurance) Companies and Insurance Groups, Requirements to the Acquired Insurance (Reinsurance) Companies, Subsidiaries of Insurance (Reinsurance) Companies or Insurance Holdings Shares (Shares of Participation in the Authorized Capital) of Legal Entities, the List of Bonds of International Financial Organizations, Purchased by Insurance Holdings, the Minimum Required Rating for Bonds Purchased by Insurance Holdings, and List of Rating Agencies, as well as the List of Financial Instruments(Except for Shares and Shares of Participation in the Authorized Capital), Acquired by Insurance (Reinsurance) Companies", registered in the Register of State Registration of Regulatory Legal Acts under № 14794 (hereinafter referred to as Resolution № 304);

formation of the reinsurance share in the insurance reserves under the reinsurance contract in the absence of an economic benefit (expediency) for the reinsurer in the conditions of the concluded reinsurance contract;

use of incomplete and (or) unreliable information in the calculation of insurance reserves, which resulted in a decrease (or there is a possibility of reduction) of solvency of the insurance (reinsurance) company and (or) violation of the insurance (reinsurance) organization prudential standards and other mandatory rules and limits established by resolution № 304.

25. If a reasoned judgment is adopted by a collegial body, the supervisory unit shall prepare a project supervisory response or decision in the cases provided for in subparagraph 3) of paragraph 2 of the Rules.

