



On Credit Partnership

Unofficial translation

The Law of the Republic of Kazakhstan dated 28 March, 2003 No. 400.

Unofficial translation

This Law determines legal status, procedure for establishment, reorganization and liquidation, as well as regulation of activity of credit partnerships.

Chapter 1. General provisions

Article 1. Basic definitions, used in this Law

The following basic definitions shall be used in this Law:

- 1) additional fee – a sum of money, transferred in a property of credit partnership by a participant;
- 2) credit partnership – a legal entity, established by individuals and (or) legal entities for satisfying needs of its participants in credits and other finance, as well as banking services by accumulation of their money and on account of other sources, not prohibited by the legislation of the Republic of Kazakhstan;
- 3) a credit committee – a subdivision of credit partnership, carrying out its credit policy;
- 4) mandatory contribution – money, subject to deposition in charter capital of credit partnership by a participant;
- 5) (is excluded – dated 23 December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107)).

Article 2. The legislation of the Republic of Kazakhstan on credit partnership

1. The legislation of the Republic of Kazakhstan on credit partnerships shall be based on the Constitution of the Republic of Kazakhstan, consist of this Law and other regulatory legal acts of the Republic of Kazakhstan.

2. The legislation of the Republic of Kazakhstan, regulating activity of limited liability partnerships shall be applied to credit partnerships in a part, not regulated by this Law.

3. If international treaty, ratified by the Republic of Kazakhstan established other rules, than those provided in this Law, the rules of international treaty shall be applied.

Chapter 2. Establishment of credit partnerships

Article 3. Credit partnership

1. Credit partnerships shall be established in the form of limited liability partnerships on the basis of deed of establishment and act in accordance with their charter. Credit partnership shall be recognized as established from the moment of its state registration.

2. A title of a credit partnership shall contain the words “credit partnership”.

Legal entities may not be referred to as a credit partnership until registration in the capacity of credit partnership.

3. Number of participants of a credit partnership shall be less than three persons.

Participants of a credit partnership shall not incur its liabilities and bear the risk of losses, linked with activity of a credit partnership, within the value of deposited mandatory contributions and additional fees, unless otherwise provided by constitutive documents of credit partnership.

A credit partnership shall incur liabilities by all its property, belonged to it and shall not incur liabilities of its participants.

4. A credit partnership is a commercial organization carrying out microfinance activity.

5. Property of a credit partnership shall belong to it as property and shall be formed on account of mandatory contributions and additional fees of its participants, incomes, received by credit partnership, as well as other sources, not prohibited by the legislation of the Republic of Kazakhstan.

6. (Is excluded by the Law of the Republic of Kazakhstan dated 23December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107).

7. (Is excluded).

Footnote. Article 3 as amended by the Laws of the Republic of Kazakhstan dated 20.12.2004 No. 13 (shall be enforced from 01.01.2005); dated 23.12.2005 No. 107 (the order of enforcement See Article 107); dated 05.07.2012 No. 30-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Article 4. Constitutive documents of credit partnership

1. Constitutive documents of credit partnership shall be deed of establishment and charter.

2. Besides a data, provided by the legislative acts of the Republic of Kazakhstan, deed of establishment of a credit partnership shall contain:

1) minimal amount of mandatory contribution that shall be subject to pay during coming into credit partnership;

2) procedure and conditions of deposition of mandatory contribution by participants of a credit partnership;

3) procedure for distribution of net profit of a credit partnership in recognition of deposited mandatory contributions and additional fees by participants.

3. Besides a data, provided by the legislative acts of the Republic of Kazakhstan, a charter of credit partnership shall contain:

1) firm name and location area of a credit partnership;

2) rights and obligations of participants of a credit partnership;

3) procedure and conditions of participation in a credit partnership;

4) data on amount of charter capital of a credit partnership;

5) procedure, conditions of deposition and withdrawal of additional fee by participants of a credit partnership;

6) provisions on bodies of a credit partnership, procedure for adopting decisions, as well as on the issues, on which a qualified majority of three-quarters of participants' votes, attending and presented at general meeting of participants of a credit partnership is required;

7) distribution of the competence between bodies of a credit partnership;

8) procedure for allocation of money of a credit partnership;

9) order of introduction of amendments and additions in a charter of credit partnership;

10) order of establishment and use of reserve fund of a credit partnership.

4. Is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Footnote. Article 4 as amended by the Law of the Republic of Kazakhstan dated 23December, 2005 No. 107 (the order of enforcement See Article 2 No. 107); dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Chapter 3. Participation in credit partnership

Article. Rights and obligations of participants of credit partnership

1. Participants of a credit partnership shall have the right to:

1) use the services of a credit partnership;

2) participate in administration of affairs of a credit partnership;

3) elect and be elected in bodies of a credit partnership;

4) receive income from activity of a credit partnership in accordance with this Law and constitutive documents of a partnership;

5) terminate participation in a credit partnership in the manner, stipulated by this Law and charter of a credit partnership;

6) receive information on activity of a credit partnership and inspect with its book-keeping and other documentation in the manner, stipulated by charter of partnership.

Participants of a credit partnership may have other rights, provided by the legislative acts of the Republic of Kazakhstan and constitutive documents of a credit partnership.

2. Participants of a credit partnership shall be obliged to:

1) conform to requirements of deed of establishment and charter, carry out decisions of bodies of a credit partnership;

2) provide trustworthy information to bodies of a credit partnership on their financial condition, sufficient for adoption of decisions on crediting of participants.

Participants of a credit partnership may bear other obligations, provided by the legislative acts of the Republic of Kazakhstan and constitutive documents.

Article 6. Termination of participation in credit partnership

1. Participation in a credit partnership shall be terminated in cases of:

1) voluntary withdrawal;

- 2) alienation of share by other participants of a credit partnership or third parties;
- 3) withdrawal from the number of participants of a credit partnership on demand of credit partnership;
- 4) termination of activity of a credit partnership;
- 5) in other cases, provided by the legislative acts of the Republic of Kazakhstan.

2. Application on voluntary withdrawal from a credit partnership shall be subject to consideration of head office of a credit partnership that shall be obliged to consider it within one month from the date of filing an application and bring it at general meeting of participants of a credit partnership.

Participation in a credit partnership may be terminated by voluntary withdrawal of participant after performance of incurred estate liability to credit partnership in the manner, stipulated by this Law.

3. In breach of obligations by participant of a credit partnership, established by the legislative acts of the Republic of Kazakhstan, constitutive and other documents of a credit partnership, non-performance of obligations to credit partnership, as well as in infliction of harm to credit partnership, a partnership shall have the right to demand compulsory buying of the share of this participant and his (her) withdrawal from the number of participants at law, in accordance with decision of general meeting.

4. Decision on compulsory buying of a share and withdrawal may be appealed by participant of a credit partnership in a judicial proceeding.

Chapter 4. Credit partnership management

Article 7. Bodies of credit partnership

1. Bodies of a credit partnership shall be:

- 1) a superior body – general meeting of participants of a credit partnership;
- 2) an executive body – a head office;
- 3) a controlling body – an audit commission (inspection general).

2. Charter of a credit partnership may provide establishment of supervisory bodies (supervisory board).

Article 8. General meeting of participants of credit partnership

1. Procedure for holding a general meeting of participants of a credit partnership shall be provided in charter of a credit partnership.

Annual (one year) meeting of participants of a credit partnership shall be held not later than three months after ending of financial year.

Besides annual meetings, the extraordinary meetings may be held, summoned at the initiative of head office of credit partnership or not less than twenty five percent of participants of a credit partnership.

General meeting shall adopt decisions that correspond to charter goals and objectives of a credit partnership and this Law, reserve or confirm decisions of a head office.

1-1. The procedure and terms for convening a general meeting of participants of a credit partnership shall be provided for in the charter of the partnership. If the procedure and terms of convening a general meeting of participants of a credit partnership are not provided by the charter, then the notification on holding the general meeting of participants of a credit partnership shall be published in a periodical, specified in the charter of a credit partnership, or on the Internet resource of a credit partnership, sent by the registered letter, telegram with notification of delivery, by telephone, by short text messages over cellular channels or e-mail, as well as using other means of communication providing fixation of the notice, no later than ten working days before opening the general meeting of participants of a credit partnership.

2. Besides the issues, provided by other legislative acts of the Republic of Kazakhstan, exclusive competence of general meeting of participants of a credit partnership shall include adoption of decisions:

1) on conclusion of transaction or collection of interrelated transactions by a partnership, in the result of which a partnership shall acquire or alienate the property, value of which is twenty five and more percent from total amount of value of partnership's assets;

2) on increase of obligations of a partnership on a sum that is twenty five and more percent from amount of its shareholder's investment;

3) on direction of activity of a credit partnership;

4) on determination of credit and investment policy of a credit partnership;

5) on manner of payment for labour of members of head office, audit commission (inspection general) and other workers of credit partnership;

6) on establishment of procedure for introduction and withdrawal of additional fees by participants;

7) on procedure for impairment write-off of credit partnership;

8) on procedure for adoption and withdrawal of participants from credit partnership;

9) on confirmation of annual estimate of expenses and incomes and report on its performance;

10) on formation of accounting policy;

11) on confirmation of annual financial reporting;

12) on other issues.

Footnote. Article 8 as amended by the Law of the Republic of Kazakhstan dated 23December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107); dated 28.10.2019 No. 268-VI (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 9. Quorum and voting at general meeting of participants of credit partnership

1. General meeting shall be recognized as legally qualified, if at least fifty percent of participants of a credit partnership attend at it. In case, when decision on the issue, included

into calendar of business shall be adopted by qualified majority of participants or by general consent, a meeting shall be eligible to adopt decision, if at least two-thirds of participants attend at it.

2. (Is excluded by the Law of the Republic of Kazakhstan dated 23December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107).

3. Decisions at general meeting shall be adopted by simple majority of votes of participants, attended at general meeting.

4. Decisions at the general meeting on the issues of confirmation of a charter and introduction of amendments and additions in it, as well as reorganization or liquidation of a credit partnership shall be adopted by a qualified majority in two-thirds votes of all participants, if a charter of credit partnership doesn't require more numbers of votes or undivided opinion for their adoption.

5. In case of absence of a quorum, the general meeting of participants of a credit partnership shall be convened again. The date of the re-convened general meeting of participants of a credit partnership shall be established by the board of a credit partnership. The re-convened general meeting of participants of a credit partnership shall be competent if any number of participants of a credit partnership is registered at it, except for the cases provided for by paragraphs 1 and 4 of this Article.

Footnote. Article 9 as amended by the Law of the Republic of Kazakhstan dated 23December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107); dated 28.10.2019 No. 268-VI (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 10. Head office of credit partnership

1. A head office of a credit partnership shall be elected by general meeting of participants and carry out administration of the current activity of a credit partnership.

A head office of a credit partnership shall annually report to general meeting of participants of a credit partnership about results of its activity.

2. Powers of a head office of a credit partnership shall include:

1) formulation of proposals on adoption of in-house rules of activity of a credit partnership and on their following amendments;

2) formulation and introduce proposals for consideration of general meeting of participants of a credit partnership in respect of credit and investment policy, development of rules on internal credit policy and credit committee of a credit partnership;

3) formulation and presentation of annual estimate of expenses and incomes and report on its performance;

4) formulation and presentation of annual financial reporting;

5) establishment of a salary for employees;

6) preparation of documents on the issues of adoption and withdrawal of participants from a credit partnership and their delivery on general meeting of participants of a credit partnership;

7) carrying out of other powers, linked with current activity of a credit partnership and that are not exclusive competence of general meeting of participants of a credit partnership.

The general meeting of participants of a credit partnership may delegate the following exclusive competences of the general meeting of participants of a credit partnership to the board of a credit partnership:

acceptance (retirement) of participants of a credit partnership;

amendment of the charter of a credit partnership or its approval in a new version in connection with acceptance (retirement) of participants of a credit partnership.

3. A head office may not be a one-man agency and quantity of its members shall be an odd number, but not less than three. A head office shall be headed by a chairman, elected by general meeting of participants of a credit partnership.

A chairman and (or) members of head office may be elected among persons that are not participants of a credit partnership by decision of general meeting of participants of a credit partnership. By this, a composition of head office shall contain of one or several participants of a credit partnership.

4. Head office sessions shall be held as needed, but not less than once a month.

Head office shall be eligible to resolve issues, introduced for its consideration, if less than two-thirds of its members participate in a session. Decisions shall be adopted by majority votes from among of attending members of head office.

Footnote. Article 10 as amended by the Law of the Republic of Kazakhstan dated 28.10.2019 No. 268-VI (shall be enforced upon expiry of ten calendar days after its first official publication).

Article 11. Audit commission (inspection general)

A credit partnership shall have an audit commission (inspection general).

A chairman and members of head office of a credit partnership, credit committee, members of their families and close relatives may not be as members of audit commission.

Besides the issues, provided by other legislative acts of the Republic of Kazakhstan, powers of an audit commission (inspection general) shall contain:

1) determination of conformity of actions and operations, committed by a credit partnership, its bodies and officials, requirements of the legislation of the Republic of Kazakhstan and internal documents of a credit partnership by conduct of planned and unscheduled investigations;

2) giving recommendations to general meeting of participants of a credit partnership and head office on improvement of activity of a credit partnership.

Chapter 5. Mandatory contributions and additional fees to credit partnership

Article 12. Procedure for making mandatory contributions

1. To join a credit partnership, the participant shall make a minimum mandatory contribution. The initial authorized capital of a credit partnership, formed and paid by money in the national currency, shall be equal to the amount of mandatory contributions of participants. The ratio of mandatory contribution of each participant to the total amount of the charter capital of a credit partnership shall be a share of the participant in the charter capital of a credit partnership.

2. (Is excluded by the Law of the Republic of Kazakhstan dated 23 December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107).

3. During deposition, a participant of a credit partnership shall be issued by the document, confirming deposition by the participant of a credit partnership. Following deposition in a credit partnership and refund of money by it to participant shall be registered in the document, mentioned above.

Footnote. Article 12 as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Article 13. Special aspects of buying of participant's share in a charter capital of credit partnership

1. In adoption of decision on termination of participation in a credit partnership by participant, a partnership shall have the right to buy his (her) share in charter capital of a credit partnership with the consent of this participant within the periods, provided by charter of a credit partnership, but no more than ninety days from the date of adopting decision by a participant.

2. Buying of share of participant in charter capital of a credit partnership, provided by paragraph 1 of this Article shall be carried out in case, if termination of participation in a credit partnership doesn't lead to reduction of number of participants, lower than a minimum quantity or to reduction of charter capital of a credit partnership, lower than minimum dimension.

Article 14. Procedure for sale of share of participant of credit partnership

1. Sale of share by participant of a credit partnership shall be carried out in the manner, prescribed by the legislative acts of the Republic of Kazakhstan, unless otherwise provided by deeds of establishment of a credit partnership and this Law.

2. Sale of share by participant to other participants of a credit partnership shall be allowed, if this will not lead to reduction of number of participants of a credit partnership, lower than minimum quantity, provided by this Law.

3. If it is impossible to sell a share by participant to other participants of a credit partnership or to third parties, a participant wishing to sell his (her) share shall have the right to file a request with credit partnership to buy this share.

In buying of share by a credit partnership, the price of share shall be determined by agreement of parties, and in case of disagreement – by court.

4. After buying of share of participant, a credit partnership shall be obliged to propose this share to other participants at the price, determined by decision of general meeting.

By decision of general meeting, a credit partnership shall have the right to sell this share in the name of partnership to third parties.

5. In unwillingness of participants or third parties to acquire a share, bought by a credit partnership from withdrawn participant within six months from the date of buying, a share shall be redeemed with a relevant reduction of a charter capital of a credit partnership, and in case of reduction of a charter capital, lower than minimum level, a credit partnership shall be subject to liquidation on the grounds, provided by this Law.

6. Sale of share by participant of a credit partnership shall be carried out within the periods, determined by the legislative acts of the Republic of Kazakhstan, in the manner, prescribed by this Article, unless otherwise established by constitutive documents or agreements of parties.

Article 15. Additional fees of participants

In case, provided by a charter of credit partnership, a participant shall have the right to introduce additional fees in a property of credit partnership. Additional fees of participants of credit partnership shall not change a size of its charter capital.

Article 16. Refund of additional fee in case of termination of participation in credit partnership

In cases, provided by charter, as well as in termination of participation in a credit partnership, a participant shall be refunded by additional fee within the periods, determined by agreement of parties or provided by a charter of credit partnership, but no more than ninety days from the date of adoption of decision on termination of participation in a credit partnership. By this, this participant, having an obligation to credit partnership shall be paid with the deduction of his (her) existing obligations to credit partnership. <*>

Footnote. Article 16 as amended by the Law of the Republic of Kazakhstan dated 23December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107).

Chapter 6. Activity of credit partnership

Article 17. Activity of credit partnership

1. Credit partnerships shall be prohibited to carry out entrepreneurial activity, with the exception of carrying out microfinance activity provided for by the Law of the Republic of Kazakhstan "On Microfinance Activity".

2. Credit partnerships shall carry out their activities on the basis of the rules for granting microcredit, the regulations on the credit committee and the internal rules of the credit partnership, which shall be approved by the highest body of the credit partnership - the general meeting of the participants of the credit partnership.

3. Requirements for the content of microcredit rules shall be established by the Law of the Republic of Kazakhstan "On microfinance activities."

4. Internal rights of a credit partnership shall determine:

- 1) structure, goals, functions and powers of structural subdivisions;
- 2) rights and obligations of heads of structural subdivisions;
- 3) powers of officials and employees of a credit partnership during carrying out of transactions by them in its name and on its account.

5. Provisions on a credit committee of credit partnership shall determine:

- 1) structure, goals, functions and powers of a credit committee;
- 2) liability of members of a credit committee;
- 3) procedure for confirmation of credit agreements;
- 4) powers of supreme and executive bodies of credit partnership, as well as its officials on adoption of decisions about issue of loan, depending on its amount.

Footnote. Article 17 is in the wording of the Law of the Republic of Kazakhstan dated 23 December, 2005 No. 107 (the order of enforcement See Article 2 of the Law No. 107); as amended by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020); dated 02.01.2021 № 399-VI (shall enter into force from 01.01.2021).

Article 18. Operations, carried out by credit partnership

Footnote. Article 18 is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Article 19. Combinations of credit partnerships

Credit partnerships may establish combinations of credit partnerships in the form of associations (unions), as well as consortiums on the basis of joint operation agreement for coordination of its activity, protection and representation of common interests, carrying out of common projects and decisions of other general goals in accordance with the legislation of the Republic of Kazakhstan.

Article 20. Procedure for credit activities

1. Is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

2. *A loan may be granted only to a member of a credit partnership, who owns a paid mandatory contribution, in accordance with the provisions of the charter of a credit partnership.*

3. Extension of credit on conditions of exemption to participants of a credit partnership shall be carried out on decision of general meeting of participants of a credit partnership.

4. Is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

4-1. Is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

5. Data on credits, provided to chairman of head office shall mandatory be brought to the notice of all participants of a credit partnership at annually general meeting by audit commission (inspection general).

6. All required expenses, linked with credit formalization and disbursement shall be covered by a participant, obtained credit.

Footnote. Article 20 as amended by the Law of the Republic of Kazakhstan dated 10.02.2011 No. 406-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Article 20-1. Computation of annual effective rate of remuneration on credit

Footnote. The Law is supplemented by Article 20-1 in accordance with the Law of the Republic of Kazakhstan dated 10.02.2011 No. 406-IV (shall be enforced upon expiry of ten calendar days after its first official publication); is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Article 21. Secret of operations, carried out by a credit partnership

Footnote. Article 21 is excluded by the Law of the Republic of Kazakhstan dated 03.07.2019 No. 262-VI (shall be enforced from 01.01.2020).

Article 22. Credit committee of a credit partnership

1. Members of a credit committee shall be appointed by head office of a credit partnership from among of participants and (or) other persons that are employees of a credit partnership.

2. Credit committee shall prepare conclusion on each of application of participant of a credit partnership on obtaining credit and hold its sessions as may be required.

Chapter 7. Regulation of activity of credit partnerships

(Chapter is excluded by the Law of the Republic of Kazakhstan dated 23December, 2005, No. 107 (the order of enforcement See Article 2 of the Law No. 107)

Chapter 8. Final and transitional provisions

Article 28. Liability for breach of the legislation of the Republic of Kazakhstan on credit partnerships

Persons, breaching the legislation of the Republic of Kazakhstan on credit partnerships, shall bear liability in accordance with the Laws of the Republic of Kazakhstan.

Article 29. Transitional provisions

1. Credit partnerships, established before enforcement of this Law shall be obliged to introduce the relevant amendments to their constitutive documents and bring their activity into conformity to this Law within one year from the date of enforcement of this Law, with the exception of credit partnerships, mentioned in paragraph 2 of this Article.

2. Rural credit partnerships, established before enforcement of this Law with the assistance of government financial resources, shall be obliged to introduce the relevant amendments to their constitutive documents and bring their activity into conformity to this Law within four years from the date of its enforcement.

The President
of the Republic of Kazakhstan

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